

Commentary on Half Year Report

Patrys Completes Multiple Myeloma Trial and Strengthens Financial Position

Patrys Limited (**ASX: PAB; the Company**) today announced its financial results for the six months ended 31 December 2013 and provided an overview of operations for the period, which saw a number of positive milestones and a significant strengthening of the Company's cash position.

The six months was an exciting period for the Company highlighted by:

- the completion of the Phase I/IIa PAT-SM6 multiple myeloma clinical trial;
- the awarding of orphan drug designation for PAT-SM6 in multiple myeloma in both the USA and Europe;
- the confirmation that Onyx Pharmaceuticals, Inc.(Onyx) will fund an investigator-sponsored trial evaluating the effectiveness of PAT-SM6 in combination with its drug carfilzomib, in patients with relapsed and refractory multiple myeloma; and
- the raising of \$9.2m to date from the rights issue and exercise of options which provided a strong cash position with which to advance clinical and preclinical programmes.

Operations:

The highlight for Patrys' operations in the period was the announcement, in November 2013, of the initiation of an investigator-sponsored trial evaluating the effectiveness of PAT-SM6 in combination with carfilzomib, in patients with relapsed and refractory multiple myeloma which is being funded by Onyx, an Amgen subsidiary.

In December 2013, Patrys completed dosing of patients in its Phase I/IIa clinical trial in multiple myeloma for anti-cancer drug PAT-SM6. The trial was 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. Twelve patients were enrolled in four dosing groups and received two cycles (four doses) of treatment. The primary objective of the study was to evaluate the safety and tolerability of escalating doses of PAT-SM6 and the secondary objective was to measure efficacy as determined by a series of well-established laboratory assays.

No significant adverse events were recorded, immunological responses were observed in all patients treated and 4 of the treated patients were shown to have stable disease at day +36. Full data in respect of the trial will be released in the first quarter of 2014.

During the period the Company was granted orphan drug designation of PAT-SM6 in multiple myeloma by the USA Food and Drugs Administration (FDA) and the European Medicines Agency (EMA). Orphan drug designation is intended to provide incentives to encourage companies to pursue cures and treatments for rare diseases with high unmet medical needs. Patrys also continued to expand its preclinical data package in respect of PAT-SM6. The Company was also awarded an ARC Linkage Grant to support a partnership with Macquarie University.

In addition, Patrys presented results related to its PAT-SM6 lead clinical candidate and data generated from the clinical trial in multiple myeloma at the 55th ASH Annual Meeting and Exposition, run by the American Society of Hematology in New Orleans, in December 2013.

In addition to the advancement of its clinical programmes, the cash position of the Company improved with the initial closure of a rights issue and the exercise of options raising \$7 million and a further \$2.2 million raised from the placement of shortfall after the end of the financial period. These funds combined with the existing finances provide the Company a runway which will allow it to manufacture the material required for the Onyx sponsored trial as well as advance its other programmes.

Financial Performance:

In November/December 2013 the Company raised \$7 million from a 1 for 2 rights issue and the exercise of options. A further \$2.2 million has been received since. The balance of the shortfall can be placed prior to 11 March 2014.

The Group's cash and term deposits remained strong at \$10.3m at balance date, the strongest cash balance held by the Group since 2008. The Group's cash outflow from operations and investing activities over the period of \$1.8 million is comparable to the previous corresponding period notwithstanding the significant progress made in the period under review.

The Group produced a loss from ordinary activities before income tax of \$3.25 million, an increase over the previous corresponding period due to the advancement of the clinical programme and the manufacturing of product for future clinical trials.

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

Dated: 12 February 2014



Roger McPherson
Company Secretary

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About Patrys Limited:

Based in Melbourne, Australia, Patrys (ASX: PAB) is focused on the development of natural human antibodies as therapies for cancer. Patrys has a deep pipeline of anti-cancer natural human antibodies that qualify for both internal development and partnering opportunities. More information can be found at www.patrys.com.

APPENDIX 4D

PATRY'S LIMITED
ABN 97 123 055 363

HALF YEAR REPORT

Current reporting period
Previous corresponding period

Half year ended 31 December 2013
Half year ended 31 December 2012

Results for announcement to the market

A\$'000

Revenues from ordinary activities	Down	19.4%	to	721
Loss from ordinary activities after tax attributable to members	Up	157.4%	to	(3,259)
Net loss for the period attributable to members	Up	157.4%	to	(3,259)

Explanation		
Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	NIL	NIL
Previous corresponding period	NIL	NIL
Record date for determining entitlements to the dividend	N/A	
	31 December 2013	31 December 2012
Net tangible asset per security	1.30¢	1.32¢
Control gained over entities having material effect		
N/A		
Loss of control of entities having material effect		
N/A		
Details of aggregate share of profit (loss) of associated and joint venture entities		
N/A		
This report is based on:		
accounts which have been subject to review		

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

APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

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This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Patrys Limited during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange.

PATRYS LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

DIRECTORS' REPORT

The Board of Directors of Patrys Limited ("Patrys" or the "Company") has resolved to submit the following report together with the financial statements of the Company and its wholly owned subsidiaries ("economic entity") for the half year ended 31 December 2013.

1. Directors

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

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

Dr. Alan Robertson was a Non-Executive Director of the Company from the beginning of the financial year until his retirement on 23 October 2013.

2. Review of Operations

Key achievements during the period include:

- Conducting the Phase I/IIa clinical trial for PAT-SM6 in multiple myeloma.
- Expansion of the data package for PAT-SM6 and continued 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.
- Advancing its early stage pipeline.
- Enhancing the financial position of the Group.

PAT-SM6 development programme

In December 2013, Patrys completed dosing of patients in its Phase I/IIa clinical trial in multiple myeloma for anti-cancer drug PAT-SM6. The trial was 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. Twelve patients were enrolled in four dosing groups and received two cycles (four doses) of treatment. The primary objective of the study was to evaluate the safety and tolerability of escalating doses of PAT-SM6 and the secondary objective was to measure efficacy as determined by a series of well-established laboratory assays.

No significant adverse events were recorded, immunological responses were observed in all patients treated and 4 of the treated patients were shown to have stable disease at day +36. Full data in respect of the trial will be released in the first quarter of 2014.

In November Patrys announced that it is initiating an investigator-sponsored trial evaluating the effectiveness of PAT-SM6 in combination with carfilzomib, in patients with relapsed and refractory multiple myeloma. The trial will be headed by Professor Dr. Hermann Einsele, Director of the Department of Medicine II, University of Würzburg, Germany, and is being funded by Onyx Pharmaceuticals, Inc.(Onyx), an Amgen subsidiary.

During the period the Company was granted orphan drug designation for PAT-SM6 in multiple myeloma by the USA Food and Drugs Administration (FDA) and the European Medicines Agency (EMA). Orphan drug designation is intended to provide incentives to encourage companies to pursue cures and treatments for rare diseases with high unmet medical needs.

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 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.

Patrys presented results related to its novel PAT-SM6 lead clinical candidate and data generated from the clinical trial in multiple myeloma at the 55th ASH Annual Meeting and Exposition, run by the American Society of Hematology in New Orleans, held on 7- 10 December 2013.

In addition the Company announced the grant of a new patent in Australia for PAT-SM6.

Advancement of PAT-SC1 towards out-licensing and PAT-LM1 towards a human clinical trial

During the period 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 was initially focussed on Japan, South Korea and China. The programme has now been expanded to include India. It is anticipated that this out-licensing project will continue well into 2014.

In addition Patrys has also been continuing to prepare PAT-LM1 for a clinical trial. Cell line development has been completed and the project will now move into scale-up and manufacturing. Patrys was also granted a new patent in the USA for PAT-LM1.

Advancement of early stage pipeline

During the period, Patrys continued to leverage its internal R&D capabilities to advance its early stage pipeline. This work is a constant process of expansion and consolidation. Intellectual property protection is monitored and assessed so that it provides value to the Company.

Enhance financial strength of the group

In November 2013, Patrys announced a 1 for 2 rights issue to raise up to \$12.5 million. The primary aim of the rights issue was to raise funds for the manufacturing of PAT-SM6 for the planned Onyx funded clinical trial as well as the ongoing advancement of the pipeline. The Company raised \$5.5 million from existing shareholders from the rights issue in December 2013 and will now endeavour to place the balance to institutional and professional investors.

In addition to this rights issue, Patrys raised a further \$1,580,000 from the exercise of options.

3. Financial and Treasury Activities

The financial results of the Group for the six months ended 31 December 2013 are summarised as follows:

- The Group's cash and term deposits remained strong at \$10,317,627 at balance date an improvement of \$5.1m over the balance as at 30 June 2013 and the strongest cash balance held by the Group since 2008. This was due to the raising of \$7m from the Rights Issue and exercise of options during the period.
- The Group's cash outflow from operations and investing activities over the period of \$1.8 million is comparable to the previous corresponding period notwithstanding the significant progress made in the period under review.
- The Group produced a loss from ordinary activities before income tax of \$3,251,642 (2012: \$1,260,181) reflecting advancement of the clinical programme and the manufacturing of product for future clinical trials. The net loss after tax was \$3,258,554 (2012: \$1,265,998). Before interest, tax, depreciation and amortisation the net loss for the period was \$3,050,183 (2012: \$1,014,382).
- Revenues generated for the current period of \$720,611 include interest income, a R&D Tax Incentive and foreign currency gains. Revenues of \$893,762 for the corresponding period last year included interest income and a R&D Tax Incentive.
- Research and development costs of \$3,103,508 (2012: \$1,449,634) have been expensed in the period in which they have been incurred. The increase in these costs is primarily related to manufacturing of the PAT-SM6 materials for the upcoming Onyx sponsored trial and the clinical trial. Management and administration costs contribute a further \$868,744 (2012: \$704,309) to expenses from continuing operations, these costs increased primarily due to the effect of foreign currency movements.

4. Events Subsequent to 31 December 2013

During January 2014 the Company announced the placement of \$2.2 million of the shortfall of the Rights Issue.

On 22 January 2014 the Company announced that 10 year follow up data from its PAT-SC1 clinical trial had been published in Oncology Reports journal.

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

5. Auditor's Independence Declaration

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

Signed in accordance with a resolution of the Board of Directors dated 12 February 2014.

A handwritten signature in dark ink, appearing to be 'John Read', written in a cursive style.

**John Read
Chairman**

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF PATRYS LIMITED

As lead auditor for the review of Patrys Limited for the half-year ended 31 December 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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



David Garvey

Partner

BDO East Coast Partnership

Melbourne, 12 February 2014

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	Half year	
		31 December	31 December
		2013	2012
		\$	\$
Revenue from continuing operations	2	720,611	893,762
Expense from continuing operations	3	(3,972,253)	(2,153,943)
Loss from continuing operations before tax		(3,251,642)	(1,260,181)
Income tax expense		(6,912)	(5,817)
Loss for the period from continuing operations after income tax		(3,258,554)	(1,265,998)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
➤ Exchange differences on translating foreign operations	7a	35,411	8,175
Total comprehensive income/(loss) for the period attributable to members of the Company		(3,223,143)	(1,257,823)
 Earnings per share:			
Earnings per share (cents per share)		(0.62)¢	(0.27)¢
Diluted earnings per share (cents per share)		(0.62)¢	(0.27)¢

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	31 December 2013 \$	30 June 2013 \$
Current assets			
Cash and cash equivalents		10,317,627	5,232,298
Trade and other receivables		45,335	52,346
Other		85,433	153,288
Total current assets		10,448,395	5,437,932
Non-current assets			
Property, plant and equipment		289,634	287,281
Intangible assets	5	5,918,695	6,128,632
Total non-current assets		6,208,329	6,415,913
Total assets		16,656,724	11,853,845
Current liabilities			
Trade and other payables		2,293,165	925,427
Provisions		112,681	119,054
Total current liabilities		2,405,846	1,044,481
Non-current liabilities			
Provisions		38,385	36,762
Total non-current liabilities		38,385	36,762
Total liabilities		2,444,231	1,081,243
Net assets		14,212,493	10,772,602
Equity			
Contributed equity	6	57,483,173	50,712,575
Reserves	7	647,307	1,289,863
Accumulated losses	8	(43,917,987)	(41,229,836)
Total equity		14,212,493	10,772,602

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

PATRY'S LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Fully paid ordinary shares	Foreign currency translation reserve	Share option reserve	Share loan plan reserve	Accumulated losses	Total
2013	\$	\$	\$	\$	\$	\$
At 1 July 2013	50,712,575	(56,323)	1,048,958	297,228	(41,229,836)	10,772,602
Loss for the period	-	-	-	-	(3,258,554)	(3,258,554)
Other comprehensive income	-	35,411	-	-	-	35,411
Total comprehensive income/(loss) for the period	-	35,411	-	-	(3,258,554)	(3,223,143)
Transactions with owners in their capacity as owners:						
Issued capital	7,040,136	-	-	-	-	7,040,136
Re-allocation of value of options exercised during the period	118,058	-	(118,058)	-	-	-
Re-allocation of value of expired options	-	-	(570,403)	-	570,403	-
Transaction costs related to shares issued	(387,596)	-	-	-	-	(387,596)
Cost of share based payment	-	-	4,180	6,314	-	10,494
At 31 December 2013	57,483,173	(20,912)	364,677	303,542	(43,917,987)	14,212,493
2012						
	\$	\$	\$	\$	\$	\$
At 1 July 2012	49,136,175	(107,382)	848,122	269,644	(37,700,741)	12,445,818
Loss for the period	-	-	-	-	(1,265,998)	(1,265,998)
Other comprehensive income	-	8,175	-	-	-	8,175
Total comprehensive income/(loss) for the period	-	8,175	-	-	(1,265,998)	(1,257,823)
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)	-	-	-	-	(281,800)
Cost of share based payment	-	-	189,364	17,108	-	206,472
At 31 December 2012	50,712,575	(99,207)	1,042,486	286,752	(38,966,739)	12,975,867

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

PATRY'S LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Half year	
	31 December	31 December
	2013	2012
	\$	\$
Cash flows from operating activities		
Receipts from other debtors	-	1,614
R&D tax incentive	582,595	-
Payments to suppliers and employees (inclusive of goods and services tax)	(2,456,273)	(1,744,278)
Interest received	80,883	115,630
Taxes paid	(4,404)	(4,439)
Net cash flows used in operating activities	(1,797,199)	(1,631,473)
Cash flows from investing activities		
Investment in patents and licences	(34,935)	(175,291)
Proceeds from disposal of property, plant and equipment	-	22,957
Net cash flows used in investing activities	(34,935)	(152,334)
Cash flows from financing activities		
Proceeds from issue of securities	7,040,136	1,863,200
Payment of share issue costs	-	(175,333)
Net cash flows from financing activities	7,040,136	1,687,867
Net decrease in cash held	5,208,002	(95,940)
Cash and cash equivalents at beginning of the half year	5,232,298	6,189,110
Effect of exchange rate movements	(122,673)	(3,363)
Cash and cash equivalents at end of the half year	10,317,627	6,089,807

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

PATRYS LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Note 1: Statement of compliance

The financial report of Patrys Limited for the half year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 12 February 2014. Patrys Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

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

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

The Group has adopted applicable new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013. Adoption of the Standards did not have any effect on the financial position or performance of the Group.

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

Note 2: Revenue from continuing operations

	Half year	
	31 December 2013	31 December 2012
	\$	\$
Other income		
Interest revenue	68,552	134,034
R&D tax incentive/concession	582,595	754,908
Foreign currency gain	69,464	3,206
Other	-	1,614
	720,611	893,762

Note 3: Expenses from continuing operations

Research and development	3,103,508	1,449,634
Management and administration	868,745	704,309
	3,972,253	2,153,943

The expenses above include the following specific items:

Depreciation – plant and equipment	22,345	25,296
Amortisation and impairment – intellectual property	247,667	354,537
Loss on disposal – plant and equipment	-	60,275
Rental expense related to operating leases	23,010	31,690
Employee benefit expenses		
Defined contribution superannuation expense	40,618	22,246
Expenses of share based payments	10,129	22,249
Wages and other employee benefit expenses	663,162	542,296

Note 4: Operating segments

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

PATRY'S LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Note 5: Intangible assets	31 December 2013	30 June 2013
Intellectual property establishment and acquisitions at cost	11,164,585	11,126,855
Less: Accumulated amortisation and impairment losses	(5,245,890)	(4,998,223)
	<u>5,918,695</u>	<u>6,128,632</u>

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

Carrying amount at 1 July	6,128,632	6,608,107
Additions - acquisitions	37,730	120,888
Amortisation and impairment expense (i)	(247,667)	(600,363)
Carrying amount at the end of period	<u>5,918,695</u>	<u>6,128,632</u>

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

(ii) Intangible assets comprise licences, intellectual property, registered patents and trademarks, have a finite useful life and are recorded at cost. Amortisation is calculated using straight line method over the estimated useful life, which range from 5 to 20 years. Remaining amortisation periods range from 3 to 18 years.

Note6: Contributed equity	31 December 2013	
	No.	\$
Opening balance 1 July 2013	507,362,177	50,712,575
Shares issued under rights issue at 5 cents per share	109,202,727	5,460,136
Shares issued on exercise of options at 5 cents per share	31,600,000	1,580,000
Re-allocation of value of options exercised during the period	-	118,058
Transaction costs in relation to shares issued	-	(387,596)
Closing balance 31 December 2013	<u>648,164,904</u>	<u>57,483,173</u>

	30 June 2013	
	No.	\$
Opening balance 1 July 2012	413,612,177	49,136,175
Shares issued under placement at 2 cents per share	55,000,000	1,100,000
Shares issued under share placement plan at 2 cents per share	37,910,000	758,200
Shares issued under loan share plan	840,000	-
Transaction costs in relation to shares issued	-	(281,800)
Closing balance 30 June 2013	<u>507,362,177</u>	<u>50,712,575</u>

Note 7: Reserves	31 December 2013	30 June 2013
	\$	\$
Foreign currency translation reserve	(a) (20,912)	(56,323)
Share options reserve	(b) 364,677	1,048,958
Share loan plan reserve	(c) 303,542	297,228
	<u>647,307</u>	<u>1,289,863</u>

PATRY'S LIMITED AND CONTROLLED ENTITIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALFYEAR ENDED 31 DECEMBER 2013

Note 7: Reserves (continued)	31 December	30 June
	2013	2013
	\$	\$
(a) Foreign currency translation reserve		
Opening balance 1 July	(56,323)	(107,382)
Net adjustment arising from the translation of foreign controlled entities' financial statements	35,411	44,991
De-recognition of foreign currency reserve	-	6,068
Closing balance	<u>(20,912)</u>	<u>(56,323)</u>
(b) Share options reserve		
Opening balance 1 July	1,048,958	848,122
Value of options issued under the Employee Share Option Plan (recognised over vesting period)	4,180	14,036
Consideration received for options granted to financial advisors	-	5,000
Value of options granted to financial advisors	-	181,800
Re-allocation of value of options exercised during the period	(118,058)	-
Re-allocation of value of expired options	<u>(570,403)</u>	<u>-</u>
Closing balance	<u>364,677</u>	<u>1,048,958</u>
(c) Share loan plan reserve		
Opening balance 1 July	297,228	269,644
Value of shares issued (recognised over vesting period)	6,314	27,584
Closing balance	<u>303,542</u>	<u>297,228</u>

Note 8: Movement in accumulated losses	31 December	30 June
	2013	2013
	\$	\$
Opening balance 1 July	(41,229,836)	(37,700,741)
Re-allocation of value of expired options	570,403	-
Net loss attributable to the members of the parent entity for the period	<u>(3,258,554)</u>	<u>(3,529,095)</u>
Closing balance	<u>(43,917,987)</u>	<u>(41,229,836)</u>

Note 9: Commitments and contingencies

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

Patrys Supplier Arrangements

As at balance date, to the extent that work had been completed, expenditure has been provided for in the accounts. Committed but unrecognised expenditure as at balance date amounted to \$555,431 (2012: \$109,357).

Note 10: Events subsequent to reporting date

During January 2014 the Company announced the placement of \$2.2 million of the shortfall of the Rights Issue.

On 22 January 2014 the Company announced that 10 year follow up data from its PAT-SC1 clinical trial had been published in Oncology Reports journal.

No other significant events have arisen subsequent to 31 December 2013 which requires disclosure in the half year report.

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

DIRECTORS' DECLARATION

In the Directors' opinion:

the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporate Regulations 2001 and other mandatory professional reporting requirements;

- a) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



John Read
Chairman

Dated this 12th day of February 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Patrys Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Patrys Limited, which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Patrys Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Patrys Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

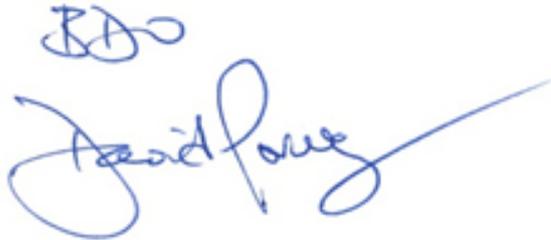
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Patrys Limited, would be in the same terms if given to the directors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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in blue ink. The signature is written in a cursive style and appears to read 'David Garvey'. Above the signature, there is a small, stylized logo that resembles the BDO logo.

David Garvey
Partner

Melbourne, 12 February 2014