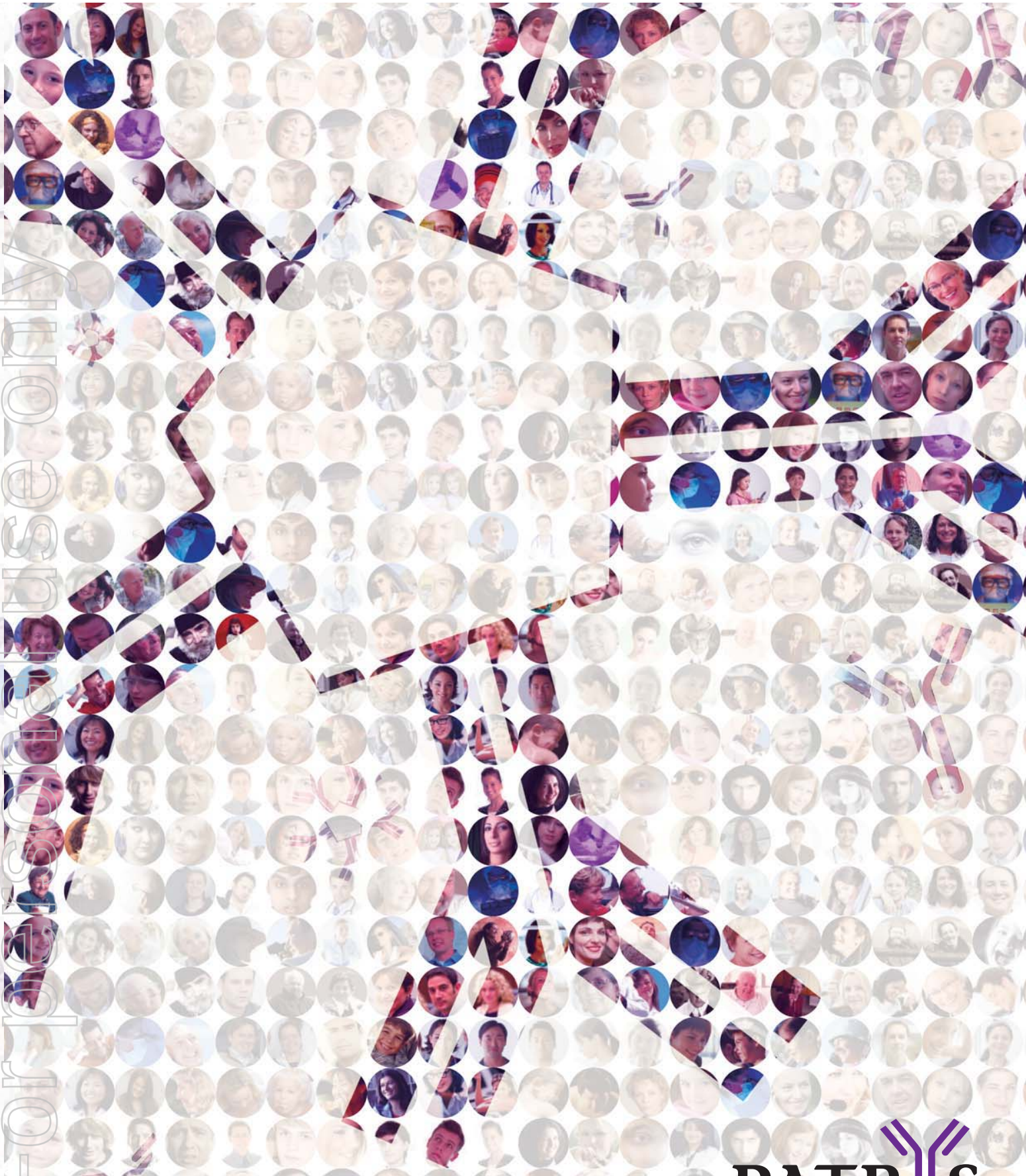


PATRYS LIMITED

2008 Annual Report

Natural human antibodies to fight human diseases

Patrys' vision

Patrys' vision is to advance our position as the world leader in developing natural human antibody therapies for the treatment of cancer and other unmet medical needs.

We will achieve this vision by advancing our lead internal product candidates to and through first-in-human clinical trials during 2009, while simultaneously benefiting from the advancement of other pipeline products by our large industry partners.

This Annual Report sets out the exciting advances Patrys has made over its first full year in existence, which in turn sets the foundation for achieving multiple short and long-term commercial outcomes.

Highlights

July 2007

Initial Public Offering – Patrys completed a raise of $25 million in a substantially over-subscribed initial public offering, and listed on the Australian Securities Exchange.

August 2007

Leading oncologists support for development of Patrys' lead products – Patrys received the support of its Clinical Development Board (CDB) and Cancer Trials Australia (CTA) with respect to the clinical development of the Company's two lead products, PAT-LM1 and PAT-SM6. The CDB and CTA represent some of the United States' and Australia's leading clinical oncologists.

September 2007

Lead PAT-SM6 proves potential as treatment for melanoma – Patrys' researchers showed that lead product PAT-SM6 kills several different melanoma cancer cell types with high potency, and attacks melanoma tissues from patients regardless of age, gender or disease stage. This represents an additional market opportunity in Australia and globally.

October 2007

Addition of Vice President, Manufacturing – Mr. Michael Conner joined Patrys from ImClone Systems, a world leading antibody company. Mr. Conner was responsible for ImClone's antibody GMP production facility in the United States. As Patrys heads toward the clinic, manufacturing is a critical function, so the addition of Mr. Conner came at a very advantageous time.

November 2007

PAT-PM2 lead product shows potential as treatment for metastatic gastric cancer – In a preclinical animal model of human gastric cancer, animals treated with lead product PAT-PM2 showed a much lower incidence of metastases, and a resulting therapeutic benefit, when compared to untreated animals. This result presents Patrys with an attractive commercialisation path for PAT-PM2.

January 2008

Patent applications to cover new lead products PAT-BA3 and PAT-BA4 – Patrys researchers identified and characterised two promising natural human antibodies, PAT-BA3 and PAT-BA4, which were both shown to be effective in attacking and killing a number of different types of human cancer cells in multiple laboratory experiments. Patent applications were filed in January of 2008.

Complete strategic investment in Acceptys, Inc., and advancement in programs – Patrys has now obtained a 30% preferred equity interest in Acceptys which is focused on the development of natural human antibodies for infectious diseases. Acceptys has a license to Patrys' antibody platform, for which Patrys is entitled to milestones and royalties. During the 1HCY2008, Acceptys and its collaborators announced success in programs for Hepatitis C and Malaria.

February 2008

Potential of lead products in combination therapies – Patrys' researchers have shown that the combination of two of its lead antibodies killed a greater percentage of human cancer cells compared to the sum of the percentages killed by each component alone. As standard treatments move toward antibody-combinations, and away from chemotherapy, this discovery places the Company in a solid position to benefit from that movement.

May 2008

Development of proprietary antibody purification technologies – Patrys developed proprietary methods for purifying natural human antibodies (purity of the end product is an important element in gaining regulatory approval). These technologies are now protected through a patent application, presenting another barrier to entry for our competitors.

June 2008

PAT-LM1 shown effective as potential treatment for colon cancer metastases – In a preclinical animal model of human colon cancer, PAT-LM1 treated animals showed a much lower incidence of metastases, and a resulting therapeutic benefit, compared to untreated animals. This result presents Patrys with a unique commercialisation path for PAT-LM1.

Discovery and disease target for lead product PAT-LM1 – Researchers at Patrys' Wurzburg, Germany location have now discovered the disease target for PAT-LM1, one of the Company's lead candidates that will be evaluated in human clinical trials in 2009. This discovery not only facilitates a better understanding of PAT-LM1 and its mechanism for killing cancer, but represents additional intellectual property that protects the PAT-LM1 franchise.

Discovery of disease target for lead product PAT-BA4 – Patrys' researchers have identified the disease target for lead product PAT-BA4. This discovery, and the patent application covering such, greatly enhance the value of PAT-BA4.

Production of natural human antibodies at commercial yields – Patrys researchers and their collaborators achieved production yields for natural human antibodies that were in excess of any yields previously reported, and that should support the development and commercialisation of the Company's lead clinical candidates PAT-LM1 and PAT-SM6. Importantly, the technology developed applies to Patrys' complete pipeline, meaning that this achievement adds significantly to the overall value of the Company.

"Our IPO allowed us to combine great products and technologies with outstanding people, which has produced instant dividends."

Dan Devine, CEO

Chairman's report

Dear Shareholder,
On behalf of Patrys' Board of Directors, I am pleased to announce that your Company has met its inaugural annual objectives as detailed in the Prospectus for our July 2007 Initial Public Offering (IPO) and listing on the Australian Securities Exchange. These achievements secure Patrys' position as a leader in the development of natural human antibody therapies for the treatment of cancer and other major diseases, while simultaneously providing a solid foundation for future growth.

The Company's primary goal set at the time of the July 2007 IPO was to obtain data from human clinical trials for lead products PAT-LM1 and PAT-SM6 by October of 2009. Patrys is on track to achieve this goal.

During the year under review Patrys also implemented a measured expansion of our Australian and German research facilities, in order to take advantage of the value that Patrys can generate with its proprietary natural human antibodies and technology platform. That expansion was completed in November 2007. Results have exceeded all expectations as reflected in the development of new lead products, new potential commercial applications of our products, and several new patent applications filed to cover the intellectual property associated with those new assets. These outcomes provide further depth to Patrys' extensive intellectual property portfolio with encouraging commercial applications.

In addition to our internal focus on advancing and expanding our product pipeline, the 2007/08 financial year also involved the establishment and advancement of multiple product collaborations with major industry players, including Takeda and AstraZeneca.

Looking forward to the forthcoming year, the Board is confident that our management team is focused on achieving tangible commercial outcomes from our lead products PAT-LM1 and PAT-SM6 as they enter human clinical trials. These lead products are well supported by a continually expanding pipeline, and the expectation of additional product collaborations with industry leaders. These opportunities generate multiple value drivers through which Patrys can benefit from the very strong and growing market demand for antibody therapies.

Yours faithfully

John D Read
Chairman

CEO's report

Dear Shareholder,

Patrys entered the current fiscal year with an industry leading natural human antibody therapy pipeline and proprietary technology platform that offered potential safety and therapeutic benefits in the global AU$23 billion antibody therapy market, one of biotechnology's largest and fastest growing segments.

With valuable strategic assets in hand, our team established a very focused twelve-month plan with four crucial elements:

- advancing two lead products toward human clinical trials;
- expanding our pipeline and commercial applications of that pipeline, in turn facilitating additional internal and partnering product opportunities;
- establishing and advancing collaborations with industry leaders; and
- building financial strength to support long-term sustainability.

Patrys has delivered on each of these milestones.

Lead product development

A year ago Patrys set a goal to obtain data from human clinical trials for anti-cancer lead products PAT-LM1 and PAT-SM6 by October of 2009, and we remain on track to achieve that goal.

The ability to stay on our targeted timeline has been facilitated by the advances Patrys has made in the area of manufacturing. To our knowledge Patrys is the first biotechnology company to report commercial yields in the manufacturing of natural human antibodies for therapeutic applications. Being a first-mover in this space, Patrys prudently identified manufacturing as the leading technical challenge in our May 2007 Prospectus. So this achievement is monumental. As an added bonus, our R&D colleagues and collaborators approached this task by developing a manufacturing technology that not only applies to PAT-LM1 and PAT-SM6, but that should be equally applicable to all of our products – meaning this achievement positively impacts the overall value of our Company.

Expansion of pipeline

Between July and November of 2007, Patrys prudently expanded its internal R&D team, including additions to our already existing laboratories in Wurzburg, Germany, and the establishment of R&D laboratories in Melbourne, Australia, at the Parkville Bio21 Institute.

The benefits of this expansion exceeded all expectations and clearly outweighed the associated expenditures, highlighted by the fact that since November of 2007, Patrys filed 8 new patent applications covering new lead products, new disease targets, and new applications in two evolving areas for cancer treatments: antibody treatments for metastases and antibody combination therapies.

An added benefit of this expansion is that we have now established a presence in the Australian research community, which has an excellent worldwide reputation for the discovery and development of antibody based technologies. Our R&D team has and will continue to leverage this added resource to enhance the value of our products.

CEO's report *(cont.)*

Collaborations with industry leaders

In 2007, Patrys formed a broad collaboration with Takeda, focused on the evaluation and advancement of five early stage products from Patrys' pipeline, and work began on that program in October of 2007. Patrys knew that this would present a challenge due to the number of products included in the collaboration and the early stage of the products involved (three of the five products were originally from Patrys' back-up antibody library). Our management team is very pleased with how Takeda and our own R&D colleagues have met that challenge over the past year. Looking forward, Patrys' management is confident that with sufficient time and continuing effort, these partnered products will bring commercial results to Patrys.

In addition to the Takeda partnership, AstraZeneca has the rights to develop and commercialise PAT-SC1, a product generated by Patrys and for which Patrys will enjoy economic gains as the product achieves certain milestones. During the year Patrys signed an agreement to support the manufacturing of PAT-SC1, based on Patrys' extensive experience, which we believe will add to the success in PAT-SC1's development

Improved financial strength

In July 2007, Patrys raised AU$25 million in an over-subscribed initial public offering, and listed on the Australian Securities Exchange. Patrys then deployed a very prudent cash management strategy, resulting in a strong cash position at the end of the period equal to approximately AU$15.2 million.

Looking ahead

The value placed on antibody related technologies and companies by larger industry players has always been strong, and this demand continued to rise during the first half of CY2008. Given our current antibody product pipeline and achievements to date, Patrys is already in a solid position to benefit from this demand.

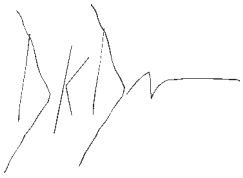
Looking forward to the period ending 30 June 2009, Patrys' management team is confident that we can further enhance our already strong position by achieving the following important goals:

- completing large animal safety testing of PAT-SM6 and PAT-LM1, the last step before commencing human clinical trials;
- initiating human clinical trials for PAT-LM1 and PAT-SM6 and generating data from those trials;
- expanding our pipeline through expanded R&D capabilities, and protecting those assets through the filing of patents; and
- maturing and expanding our product collaborations with industry leaders.

Importantly, our current financial position is sufficient to support all of these activities.

As reflected above, despite the equity market challenges facing our industry, Patrys remains strong, and this position of strength is not the result of serendipity. Instead, it is a direct result of our outstanding shareholder support, and the tremendous effort of my colleagues. I extend my sincere thanks to both groups. 2008/2009 is going to be an exciting year for Patrys, and our team is looking forward to meeting our targeted challenges head-on. And I particularly look forward to reporting on our progress to you during the upcoming period.

Yours sincerely,



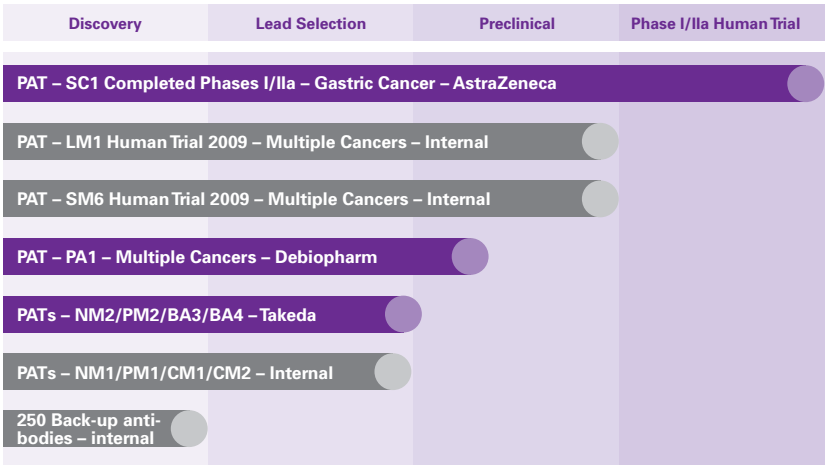
Dan Devine
Chief Executive Officer

Patrys' anti-cancer pipeline

Product pipeline

Patrys' has a very deep pipeline of promising natural human antibody products that have applications across a number of cancer indications. The scope and depth of this pipeline allows Patrys to retain exclusive rights to promising clinical candidates while partnering earlier stage products with larger industry players. These internal and external programs present a unique and diversified value proposition for Patrys that combines the upside of investing in exclusively internal programs and the risk-sharing associated with partnerships.

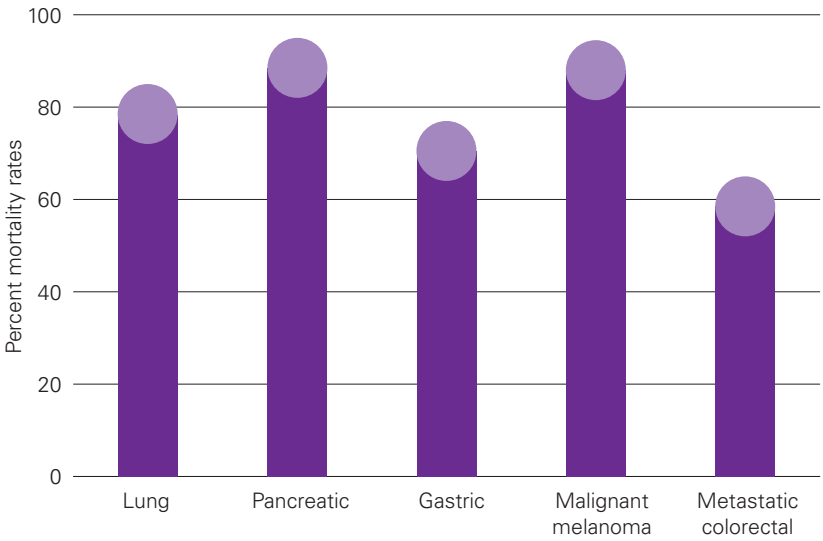
Patrys pipeline – *diversified product portfolio within a single company*



Disease applications

Patrys has focused its anti-cancer human antibody programs on indications that have very high mortality rates, where industry and patient demand for new products is greatest. More specifically, Patrys' lead products have potential applications that include, but not exclusively, lung cancer, pancreatic cancer, gastric cancer, malignant melanoma, and metastatic colon cancer, where the average five-year mortality rate exceeds 80%.

Five year mortalty rates for targeted cancers
(U.S. National Cancer Institute)



"Patrys is focused on diseases where the average mortality rates are over 80% – meaning there is a strong demand for new treatments like those in Patrys' natural human antibody pipeline."

Dr Frank Hensel, VP, Research and Development

Lead product candidates

Lead clinical candidates PAT-LM1 and PAT-SM6

Patrys' primary short term goal is to advance PAT-LM1 and PAT-SM6 through human clinical trials and to obtain data from those trials by October of 2009. Importantly, while PAT-LM1 and PAT-SM6 are both very promising anti-cancer products, each has a unique cancer killing mechanism. Therefore, these products represent multiple and separate commercial opportunities.

PAT-LM1: entering phase I/IIa human clinical trials

PAT-LM1 is an anti-cancer natural human antibody with characteristics that make it a very promising candidate for the treatment of several cancers:

- **Safety:** PAT-LM1 was isolated from a human donor and is completely human in composition. In addition, Patrys has now screened PAT-LM1 against a full panel of over 30 different human healthy tissues/organs, and PAT-LM1 does not bind to any of the tissues screened. These characteristics present a very safe profile for PAT-LM1.
- **Lower dosing and higher potency potential:** PAT-LM1's cancer specific activity means potentially lower dosing since the antibody is not expected to be soaked up by healthy tissues, and its human composition offers greater potential potency through better coordination with other components of the human immune system ("effector functions").
- **Preclinical animal experiments:** PAT-LM1 has shown strong anti-cancer effect as tested in preclinical animal models of human colon cancer, human pancreatic cancer, and human lung cancer.
- **Broad commercial applications:** with 200 individual patient tumours screened over several different cancers, PAT-LM1 attacks nearly 98% of those patients' tumours regardless of cancer type, age, gender, or disease stage.
- **Proprietary antibody and disease target:** in addition to patent filings around the PAT-LM1 antibody, Patrys has filed a patent application to protect the cancer-specific disease target for PAT-LM1. The role of such target in human cancer has been documented by other researchers, providing further evidence of its value as a target for therapeutics. The broad intellectual property established by Patrys around both PAT-LM1 and its disease target provides Patrys with substantial protection against second generation antibody products.
- **Production:** Patrys has produced PAT-LM1 at commercial yields and is currently in GMP production.

During 2009 Patrys will evaluate PAT-LM1 as a treatment for various types of cancer in a human clinical trial to be conducted in Australia.

PAT-SM6: entering phase I/IIa human clinical trials

PAT-SM6 is an anti-cancer natural human antibody with characteristics that make it a very promising candidate for the treatment of multiple cancers:

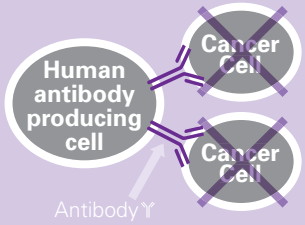
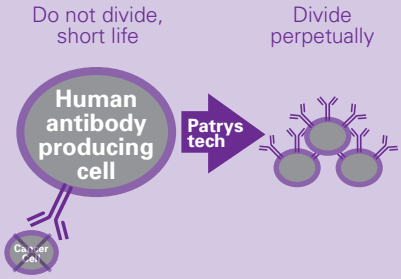
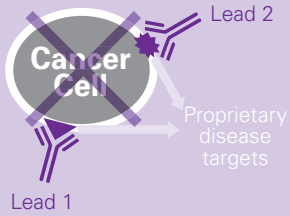
- **Safety:** PAT-SM6 was isolated from a human donor and is completely human in composition. In addition, Patrys has now screened PAT-SM6 against a full panel of over 30 different human healthy tissues/organs, and PAT-SM6 does not bind to any of the tissues screened. These characteristics present a very safe profile for PAT-SM6.
- **Lower dosing and higher potency potential:** PAT-SM6's cancer specific activity means potentially lower dosing since the antibody is not expected to be soaked up by healthy tissues, and its human composition offers greater potential potency through effector functions.
- **Preclinical animal experiments:** PAT-SM6 has shown strong anti-cancer effect as tested in preclinical animal models of human pancreatic cancer and human gastric cancer.
- **Broad commercial applications:** with 200 individual patient tumours screened over several different cancers, PAT-SM6 attacks nearly 90% of those patients' tumours regardless of age, cancer type, gender, or disease stage.
- **Proprietary antibody and disease target:** in addition to patent filings around the PAT-SM6 antibody, Patrys has filed a patent application to protect the cancer-specific disease target for PAT-SM6. The role of such target in human cancer has been well documented by other researchers, providing further evidence of its value as a target for therapeutics. The broad intellectual property established by Patrys around both PAT-SM6 and its disease target provides Patrys with substantial protection against second generation antibody products.
- **Production:** Patrys has developed production technology for PAT-SM6 that generates commercial yields. PAT-SM6 is currently in GMP production.

During 2009 Patrys will evaluate PAT-SM6 as a treatment for various types of cancer in a human clinical trial to be conducted in Australia.

Patrys' technology platform

Patrys anti-cancer natural human antibodies

Patrys natural human antibody platform technology

Antibody discovery	Antibody production	Target discovery
		
Cancerous cells are present in all humans as they naturally result from cell division **Human antibodies are effective at killing cancer cells before tumours result** **Patrys isolates cells making best anti-cancer antibodies** **Chosen antibodies also ignore healthy tissues**	**Human antibody producing cells have short life outside body; do not divide** **Patrys' technology alters human cells so that they divide forever and produce captured antibodies outside the body** **Allows for production of natural human antibodies at commercial yields**	**Lead antibodies selected for anti-cancer function** **Each lead product attacks unique cancer cell target** **Results in proprietary targets not discovered by others** **Ability to block competitive products**

Human antibodies are protein and carbohydrate molecules produced by human immune cells. One function of antibodies is to protect the body against attack by cancer.

More specifically, through all stages of development, the human body generates cancerous cells. In a majority of the cases, the immune system is capable of producing antibodies that attack and kill the cancer cells before tumours result. In a minority of cases, the body fails to make a sufficient quantity of these antibodies and cancer results. This could occur when the immune system is compromised due to a number of factors such as age and illness, or when cancer grows abnormally fast due to genetic or environmental factors.

The protein components of a human antibody facilitate binding to cancer cells by the antibody, and the antibody's ability to kill cancer cells. After a human antibody binds to a cancer cell, the carbohydrate structures of that antibody are responsible for recruiting other elements of the immune system to help mount an even more effective anti-cancer response.

Antibody capture and production

Patrys has developed technologies that enable the capture and production of large quantities of natural human anti-cancer antibodies. This in turn facilitates the characterisation and development of the captured antibodies for many different potential disease applications.

To date, the Company has focused on cancer and has isolated a large library of natural human antibodies with the following characteristics: (i) the antibodies bind to and effectively kill cancer cells, (ii) the antibodies do not bind to or attack healthy tissues or cells screened, and (iii) the antibodies are completely human in composition.

Target identification

The classical approach by antibody companies is to raise antibodies to known targets on the surface of cancer cells (i.e., target first, antibody second). In most cases, the companies taking this approach go after targets that are either in the public domain or owned by other parties. This is turn prevents those antibody companies from blocking others from developing second generation antibodies to the respective cancer disease targets.

Patrys' technology platform *(cont.)*

In stark contrast, Patrys has taken the reverse approach of first identifying lead anti-cancer antibodies based on their ability to kill cancer and ignore healthy tissue, then using the lead antibodies to identify the target on cancer cells against which the antibodies are directed, and through which the antibodies kill cancer cells. Patrys has identified targets for six lead products.

To date, this approach has yielded targets that are cancer-specific (on cancer but not healthy cells screened), which in turn provides therapeutic and safety benefits. In addition, targets discovered are novel, allowing Patrys to file patent applications on such targets. The commercial implication of the Patrys approach to targets is significant. For example, the number of competitive products in development that attack the same disease target as antibodies already marketed is substantial. In contrast, there are no competitors developing products against the disease targets for Patrys' lead products (Table 1).

Background of anti-cancer therapeutic antibodies

Antibody therapeutics are one of biotechnology's hottest segments, and they are well accepted by patient, medical and payor communities, particularly in cancer, where four products (Avastin, Rituxan, Herceptin and Erbitux) have now each exceeded over $1 billion in annual sales. Overall sales of antibody therapies are expected to reach $27 billion by 2009.

Traditionally, researchers have utilised non-human animals (mostly mice) to generate antibodies that attack human cancer tissues. In most cases, after being generated, researchers then alter the non-human antibodies by adding human components, although no antibody on the market is completely human in composition.

The first function of all antibodies is to bind to a "target", which is generally a receptor found on the surface of human cells. In each case of a marketed antibody, the target for the respective antibody is present in both healthy and diseased tissues, meaning all marketed antibodies attack cancer and healthy tissues.

Once the antibody binds to the cell, it can kill cancer in one of two ways. The first method involves direct killing of the cancer cells – that is the antibody, acting alone, can seek out, attack and kill cancer tissues. A second mechanism is called "effector function," which involves an antibody's ability to bind to cancer tissue, then recruit other components of the immune system to attack the cancer tissues (that is, the antibody operates as a flagging device, notifying the body of the presence of cancer tissue). Effector functions are impacted by an antibody's carbohydrate structures.

Patrys' competitive position in antibody sector

Due in large part to their non-human origin, existing antibody products and technologies are limited due to a number of critical weaknesses, which are each addressed by Patrys' natural human antibody technology:

- **Human composition:** All antibodies on the market contain non-human components, whereas Patrys' antibodies are completely human. The greater human composition of Patrys' products offers potential benefits in terms of a lower risk of rejection and higher potency due to a more effective ability to communicate with the other elements of the immune system (i.e., the greater the human composition, the greater the effector function of the antibody).
- **Cancer specificity:** Products currently on the market were not isolated from humans, and therefore lack the ability to distinguish between human cancer tissues and human healthy tissues – that is, antibodies on the market attack "targets" that appear on both cancer tissues and healthy tissues. In contrast, Patrys' natural human antibody products attack only cancer tissues in experiments done to date. This has potential safety benefits for Patrys' products and offers

Table 1

Cancer disease target	Marketed antibody > US$1B sales / Patrys antibody	Competitive antibodies in the clinic*
CD20	Rituxan	10
EGFR	Erbitux	12
HER2	Herceptin	9
VEGF	Avastin	5
GRP78**	PAT-SM6	0
CD55 (SC1)**	PAT-SC1	0
CFR-1**	PAT-PA1	0
New Target***	PAT-LM1	0
New Target***	PAT-BA4	0
New Target***	PAT-BA3	0

* Nature Reviews/Drug Discover, Volume 6, May 2007
** Proprietary to Patrys; patents issed and/or patent applications file/issued
*** Recently discovered by Patrys; patent applications being prepared

Table 2

Factor	Antibodies on market from non-human sources	Patrys natural human antibodies – potential advantages
Safety	Interfere with function of healthy cells and tissues	Do not attack healthy tissues screened
Potency	Absorbed by healthy tissues – high dosing	Not absorbed by healthy tissues screened – low dosing
Commercial markets	Limited by stage of disease, cancer type, patient type (e.g., US$B product Herceptin limited to 30% of breast cancer patients)	Applies to all stages of disease, many cancer types, and on average 80% of targeted patients within each cancer type
Competitive Position	Leading marketed anti-cancer antibodies face on average 10 similar antibodies in development by competitors	Ability to block competitors from developing similar products, through patent filings on antibody and target

higher potency and lower dosing possibilities as Patrys' antibodies are not expected to be "soaked-up" by healthy tissues (Table 2).

- **Blocking IP position:** Nearly all antibody companies with products on the market have a compromised ability to block others from developing second generation antibodies that attack the same disease target as the marketed antibody. On average, each of the four marketed anti-cancer antibodies face competition from ten second generation antibodies in the clinic. In contrast, Patrys' technology and approach allows it to discover and protect (through patent filings) new antibodies against newly discovered targets, providing our company with potentially long term protection against second generation products.
- **Markets:** Patrys' products react to a large percentage of patient populations, regardless of age, gender or disease stage, whereas antibodies on the market often target subsections of such populations (e.g., Herceptin, a billion dollar breast cancer treatment, only applies to 30% of the population).

In summary, the combination of the potential benefits of Patrys' lead anti-cancer natural human antibodies and the strong demand for better therapeutics provides Patrys with a significant opportunity to convert its technical advantages into commercial success.

Intellectual property

Patrys' intellectual property strategy aims to protect multiple aspects of its technologies, including (1) its proprietary human antibody capture technology, (2) each lead antibody product, (3) the production cell line for each product, and (4) the disease target against which each lead product is directed.

Patrys' comprehensive IP approach is unique from other antibody companies which generally only have antibody generation technology and have to pay for or access publicly available technologies for targets. In contrast, Patrys can avoid paying several expensive royalties for multiple technologies, and presents efficiencies since the Company's platform produces the lead product, the production system, and the disease target.

Currently, Patrys has 14 patent families including a number of issued and filed patent applications covering our lead products.

Examples of our recent IP activities are set out below.

Lead clinical candidates

- **PAT-LM1 patent family:** The PAT-LM1 patent family, which covers the (i) lead antibody, (ii) the use of the antibody to treat multiple forms of cancer, and (iii) its production cell line, is currently under examination with the US patent office (US PTO) and European Patent Office. Over the past year Patrys has extended this patent family by filing patents to protect PAT-LM1's application to metastases and expects to file a patent application to cover PAT-LM1's newly discovered target.
- **PAT-SM6 patent family:** Several patent families have been filed covering (i) the PAT-SM6 antibody, (ii) its use to treat multiple forms of cancer, (iii) the production cell line, and (iv) the disease target for PAT-SM6, a glycosylated protein (called GRP78) that appears on the surface of cancer cells but not on the surface of healthy tissues. This target IP is especially exciting as several highly respected and independent experts in the cancer research field have confirmed the importance of GRP78 in cancer, and the promise of therapies aimed at targeting GRP78.

Additions to patent portfolio during year under review

- **New lead products:** In January of 2008, Patrys filed a provisional patent to cover the new lead product PAT-BA4. PAT-BA4 is a natural human IgG antibody that has been shown to be effective in laboratory tests at binding to and killing a number of cancer types, including pancreas, stomach, lung, colon and prostate carcinomas. Also in January of 2008, Patrys filed a patent application to cover the new lead product PAT-BA3, a natural human IgG antibody that has been shown to be effective in laboratory tests at binding to and killing a number of cancer types, including pancreas, stomach, lung and colon carcinomas.
- **PAT-BA4 disease target:** The target for the PAT-BA4 lead antibody was identified and a patent application was filed July 2008.
- **Application of PAT-PM2:** A December 2007 patent filing covers the use of PAT-PM2 to treat minimal residual disease, or metastases. This application was made possible by recent data generated by the Patrys team showing PAT-PM2's ability to reduce metastases in animal model of gastric cancer.
- **Antibody cocktail treatments:** Collaborators at the University of Wuerzburg and Patrys scientists have recently shown that combinations of the different natural antibodies have increased potency in inhibiting tumor cell proliferation. A provisional patent was filed in February 2008 to protect this invention.
- **Natural human antibody purification:** Patrys scientists developed a proprietary method for purifying natural human antibodies. In June 2008, a provisional patent application was filed to protect this IP.

Looking ahead, Patrys intends to continue protecting its existing IP and new IP for products and applications generated in our laboratories.

Senior management team

Left to right: Daniel Devine, Mary Sanderson, Frank Hensel, Vic Ilag, Michael Conner.

Daniel Devine

Executive Director and Chief Executive Officer

Mr. Devine founded Acceptys in 2002 and Patrys in 2006. Prior to Acceptys, he managed the international business development team for Pfizer Pharmaceuticals and was responsible for the identification of licensing candidates for key and emerging markets; identifying potential acquisition targets; the divestment of mature products; and the acquisition of several pharmaceutical businesses in Latin America. Mr Devine was also integral to the negotiation of relationships with third party collaboration and/or license partners. Prior to joining Pfizer, Mr. Devine was responsible for substantial changes in the licensing, manufacturing and treasury functions for the Warner-Lambert/Parke-Davis organisation. Mr. Devine previously spent seven years as an attorney focusing on large corporate matters including mergers and acquisitions, divestments and financings.

Leodevico ("Vic") Ilag

PhD
Chief Operating Officer

Dr. Ilag was Chief Scientific Officer of HealthLinx Ltd (ASX:HTX) (formerly Cryptome Pharmaceuticals), where he focused on discovering drug leads and diagnostic markers in cancer and inflammatory diseases. He has more than 14 years experience in antibody drug discovery. In 1998 Dr. Ilag co-founded the German-based biotechnology company Xerion Pharmaceuticals AG and until 2004 held varying executive roles including Managing Director and Chief Scientific/Technology Officer responsible for R&D, business development and operations. Dr. Ilag was also a member of the R&D Directorate at Germany's Morphosys AG (FSE:MOR), and part of the team that developed the proprietary human antibody library, HuCAL®.

Senior management team *(cont.)*

Frank Hensel

PhD
Vice President, Development

Dr. Hensel joined Patrys from OncoMab GmbH, which he co-founded and had been Chief Executive Officer since 2002. Before OncoMab, Dr. Hensel obtained his PhD from, and later worked in, the laboratory of Dr. Vollmers at the University of Wuerzburg. He was closely involved in the discovery and successful development of the Company's antibody pipeline and underlying technologies. Dr. Hensel is the Managing Director of wholly owned subsidiary Patrys GmbH, and is responsible for the early development of the Patrys pipeline, target discovery, and antibody production and purification.

Michael Conner

Vice President, Manufacturing

Mr. Conner was most recently Director of Clinical Manufacturing at ImClone Systems and was responsible for the manufacture of Phase I and II monoclonal antibody clinical products. He also participated in new process development and technology transfer of internal antibody products from process development through commercial manufacturing. Mr Conner has more than 20 years' experience in the biotech industry covering cGMP manufacturing, process development, and technology transfer activities. He joined ImClone, from Baxter Healthcare where he managed the manufacture of two licensed vaccine products, Cephalon where he supervised the production of IGF-1, and the University of Maryland Engineering Research Center where he managed a fermentation and cell culture pilot facility.

Peter Vollmers

PhD, MD
Head of Research

Dr. Vollmers joined Patrys at the time of the OncoMab GmbH and University of Wuerzburg asset acquisitions. His work over almost two decades has focused on the capture, production and characterisation of anti-cancer natural human monoclonal antibodies. He is a co-founder of OncoMab and discovered all of OncoMab's anti-cancer antibodies. Dr. Vollmers and his team will further characterise and develop Patrys' cancer pipeline through an extensive and long-term sponsored research consulting agreement with the University of Wuerzburg.

Mary Sanderson

Chief Financial Officer

Before Patrys, Mrs Sanderson spent six years with National Westminster Bank (UK) as head of the Global Financial Control Function for NatWest Capital Markets, in which capacity she acted on various operating boards, providing strategic direction and information reporting as well as support for worldwide expansion and new product development. She was an integral member of the International Swap Dealers Association and represented NatWest in guiding the development of disclosure and regulatory standards in the derivatives industry. Earlier, Mrs Sanderson was part of the global markets control group with Bankers Trust Co (London) and worked in the Financial Consulting and Insolvency Divisions of Arthur Andersen and Co. in Australia.

Kevin Hollingsworth

CPA
Company Secretary

Mr Hollingsworth is past Chairman of both the National and Victorian Industry and Commerce Accountants Committees. He is Company Secretary for Alpha Technologies Corporation Ltd (ASX: ASU) a global medical device company, and Mesoblast Ltd (ASX:MSB), a biotechnology company commercialising adult stem cell technology. Mr Hollingsworth is the principal of Hollingsworth Financial Services, an Australian company that has provided professional accounting, taxation, business planning and investment strategies to individuals and small- to medium-sized businesses for more than 20 years.

Advisory boards

Clinical advisors

John Zalcberg

MBBS, PhD, FRACP, MRACMA, GAICD

Prof. Zalcberg has been the Director of the Division of Haematology and Medical Oncology at the Peter MacCallum Cancer Centre since 1997 and was appointed Chief Medical Officer in 2007. He is a practicing clinician who specializes in gastrointestinal cancer and has an interest in translational research and new drug development. He is a founding member, and current Chair, of the Board of the Australasian Gastrointestinal Trials Group. Prof. Zalcberg has advised a number of national and multinational pharmaceutical companies, served on the CSIRO Pharmaceuticals & Human Health Sector Advisory Committee, and been a Board Member of Progen Pharmaceuticals Ltd (ASX: PGL) since 1995. Previously, he was Director of Medical Oncology at the Heidelberg Repatriation Hospital and then Director for Cancer Services at the Austin and Repatriation Medical Centre.

Christopher J. Sweeney

MBBS

Dr. Sweeney is Director of Clinical Trials at the Royal Adelaide Hospital Cancer Centre which he joined in January 2008. He has focused his academic career on cancer drug development by performing: 1) phase I dose escalation trials with pharmacokinetic and pharmacodynamic endpoints including multiple anti-angiogenic drugs and first in human compounds, 2) phase I trials of new chemotherapeutics in patients with renal or liver dysfunction, 3) pharmacogenetic and biomarker discovery studies, 4) trials of targeted therapies with a focus on bladder and prostate cancer, and 5) drug discovery in the laboratory. Prior to moving to Adelaide Dr. Sweeney served as the Associate Director for Clinical Research and as the Co-Leader of the Experimental Developmental Therapeutics Program of the NCI-designated Indiana University Cancer Center. In 2005 Dr. Sweeney was elected Chairman of the Hoosier Oncology Group. From 1997 to 2000, he was a Fellow in Hematology/Oncology at Indiana University Medical Center and from 1994 to 1997 was an Internal Medicine resident at Gundersen Lutheran Medical Center, La Crosse, Wisconsin. He received his medical degree from the University of Adelaide, South Australia in 1992, and completed an internship at the Royal Adelaide Hospital. Dr. Sweeney has served on the Program Committee and the Cancer Education Committee of the American Society of Clinical Oncology and is on the Editorial Board for the Journal of Clinical Oncology. He has authored and co-authored more than 60 peer reviewed articles, as well as several monographs and book chapters.

Kenneth Foon

MD

Dr. Foon works at the University of Pittsburgh Cancer Institute (UCPI) on the development of new anti-cancer agents and the rapid translation of research findings into effective therapies for cancer. He is a specialist in immunotherapy and cancer therapies. Before joining UPCI, Dr Foon was Director of Clinical Development at Abgenix, Inc., a leading biotechnology company focused on the development and commercialization of anti-cancer antibody therapeutics. He was previously a Clinical Prof. in the Department of Internal Medicine at Stanford University and Prof. of Internal Medicine at the University of Cincinnati. He has authored more than 150 publications, was associate editor of *Cancer Research* from 1987 to 2003 and is associate editor of *Clinical Cancer Research*.

Louis M Weiner

MD

Dr. Weiner is Director of the Lombardi Comprehensive Cancer Center, Chair of the Department of Oncology, Associate Vice President of Georgetown University Medical Center, and Clinical Director of Cancer Services at Georgetown University Hospital. As Clinical Director of Cancer Services he leads the clinical operation of the Medical Oncology group. Dr Weiner specializes in the treatment of gastrointestinal cancers, and conducts research aimed at developing novel immunotherapy treatments. He serves on the Eastern Cooperative Oncology Group Gastrointestinal-Cancer Steering Committee and Laboratory-Science Committee and is Chair of the Immunology Task Force of the American Association of Cancer Research. He is on the Steering Committee of the National Cancer Institute's Translational Research Working Group and Rapid Access to Interventions Development (RAID) Oversight Committee. Dr. Weiner's laboratory and clinical research focuses on new therapeutic approaches for mobilizing a patient's immune system to fight cancer. He has published more than 140 scientific papers and abstracts.

Advisory boards *(cont.)*

Manufacturing advisors

Kent Iverson

Mr. Iverson is a consultant on the development and writing of manufacturing sections for IND applications to the FDA. He has made key contributions to the manufacturing sections of at least 10 approved biologics, including several antibody-based products. Mr. Iverson previously held senior positions at Corixa Corporation (Vice President, Process Development); Coulter Pharmaceutical (Vice President, Manufacturing during development of Bexxar); Immunex (Director of Operational Project Management, responsible for Enbrel); and Genentech, Inc. (Senior Technical Operator, Fermentation, with main responsibility for establishment of cell culture facilities).

Pete Gagnon

Pete Gagnon is one the industry's leading experts in protein and virus purification, and best known as the author of the book "Purification Tools for Monoclonal Antibodies." Pete has also contributed chapters to many other books, as well more than 50 articles and presentations addressing various aspects of protein and virus purification (Pete's publications can be found at www.validated.com). Pete is a member of editorial advisory boards for Genetic Engineering News, BioProcess International, and Bioprocessing Journal, and a member of the scientific advisory boards for the International conference on hydroxyapatite, the International HIC/RPC conference, and the International Monolith Symposia, among others. Mr. Gagnon also remains very active in the laboratory evaluating of new chromatography materials, developing purification procedures, and pursuing other scientific interests.

Financial report

Director's 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 year ended 30 June 2008.

Directors

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

Mr. John Read
(Non Executive Chairman)

Mr. Daniel Devine
(Executive Director and Chief Executive Officer)

Mr. Michael Stork
(Non Executive Director and Deputy Chairman)

Dr. Alan Robertson
(Non Executive Director)

All Directors held their position as a director throughout the entire year and up to the date of this report.

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

Company Secretary

Mr. Kevin Hollingsworth

Principal Activities

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

Environmental Regulations

Within Australia, the Company is subject to environmental regulations with respect to the disposal of wastes generated in the operation of its Melbourne-based laboratories. Such wastes are separately collected and classified according to type, for example solvents and all other potentially hazardous material. They are disposed of by waste collection organisations as relevant to the type of waste. There have been no known breaches of the relevant Environmental Act and Regulations during the current year.

Review of Operations

During the year ending 30 June 2008, Patrys focused on the following key areas of operations:

- establishing manufacturing technologies to support the commercial production of natural human antibody therapies;
- advancement of lead products PAT-LM1 and PAT-SM6 to human clinical trials;
- management of product collaborations with industry leaders Takeda Pharmaceutical Company Limited and AstraZeneca;
- expanding Patrys' research and development capabilities to generate valuable new products and commercial applications for those products; and
- prudent financial management.

Manufacturing of Natural Human Antibodies at Commercial Yields

As highlighted in our May 2007 Prospectus, one of Patrys' key objectives for the past year was to finalise the development of manufacturing technologies with yields that would support the commercialisation of natural human antibodies as therapies for cancer, an achievement not previously reported by any other company. Patrys achieved this goal, the benefits of which are substantial. In the immediate term, the achievement of this goal facilitates the advancement of lead products PAT-LM1 and PAT-SM6 toward human clinical trials, scheduled for early CY2009. More broadly, the technology developed applies equally to our complete pipeline of natural human antibodies, meaning that the overall value of the Company has been enhanced. Finally, from a partnering perspective, this achievement will greatly add to our already successful partnering efforts because it will provide our partners with added comfort as to the commercial opportunities presented by our products.

Importantly, in October of 2007, Patrys added Mr. Michael Conner to our executive team as Vice President, Manufacturing, to manage the clinical trial manufacturing programs for lead products PAT-LM1 and PAT-SM6. Mr. Conner brings with him significant antibody production experience from ImClone Systems, a world leader in antibody therapeutics, where Mr. Conner was responsible for production of all of ImClone's antibodies for human clinical trials. Certainly, Mr. Conner's involvement contributed to the achievement of our manufacturing goals.

Advancement of Internal Lead Candidates PAT-LM1 and PAT-SM6

The Company's overriding objective during the past year was to advance lead products PAT-LM1 and PAT-SM6 toward human clinical trials that are scheduled for early CY2009, while simultaneously expanding the applications of those products and the associated intellectual property. Patrys has achieved this objective, as reflected in the following achievements:

- Patrys received the unanimous support of its Clinical Development Board (CDB) and Cancer Trials Australia (CTA) with respect to the clinical development goals for PAT-LM1 and PAT-SM6. The CDB and CTA represent some of the United States' and Australia's leading clinical oncologists, many of whom have been involved in the successful development and commercialisation of antibody based therapies.
- The Company finalised the development of technologies for the production and purification of natural human antibodies at commercial yields. These achievements include the development of proprietary purification protocols that have been protected by a patent application filed during the period.
- Third party collaborators at the Department of Oncological Surgery, University of Wurzburg, Germany, established that lead product PAT-LM1 greatly reduced metastatic cancer in animal models of human colon cancer.
- Academic researchers at the Institute of Pathology, University of Wurzburg, Germany, identified melanoma as an added commercial application for lead product PAT-SM6, by establishing that PAT-SM6 has the ability to bind to melanoma tissues from patients regardless of age, gender or stage of disease, and PAT-SM6 potently kills melanoma cells in numerous laboratory experiments.
- Researchers at our German facility, Patrys GmbH, discovered the disease target for lead product PAT-LM1, which will be subject to a patent application filed during 3QCY2008. This discovery enhances the clinical development of PAT-LM1 as it provides added insights into the manner or mechanism by which PAT-LM1 kills cancer cells
- The Company has continued to aggressively prosecute the many patent applications that protect both PAT-LM1 and PAT-SM6, and expanded the respective patent families to protect the added discoveries made during the period.

In summary, Patrys remains well on track for advancing PAT-LM1 and PAT-SM6 into human clinical trials for the treatment of cancer and has expanded the commercial applications and intellectual property protections for both lead products.

Partnerships

In October of 2007, Takeda Pharmaceutical Company Limited elected to expand the number of products in the Patrys-Takeda collaboration to a total of five (5), thereby increasing the commercial opportunities for success. In May of 2008, Patrys signed an agreement with MedImmune (a subsidiary of AstraZeneca) that calls for Patrys' greater involvement in the manufacturing of PAT-SC1, an antibody from the Company's pipeline that was transferred to AstraZeneca (AstraZeneca is the parent company of MedImmune and Cambridge Antibody Technologies). While these partnerships are both still in an early stage, the Company is confident that the products involved in these collaborations will yield commercial value to the Company.

Expanded R&D Capabilities and Associated Output

Utilising funds raised in our July 2007 IPO, by November of 2007 Patrys expanded its internal R&D team to 20 full-time researchers in a very prudent manner, including additions to our laboratories in Wurzburg, Germany, and the establishment of R&D laboratories in Melbourne, Australia.

The primary aim of this expansion was to accelerate and expand our ability to add new lead products to our pipeline, to identify additional commercial applications for our pipeline, and to extend the intellectual property that is designed to protect those assets. In this regard, our achievements exceeded all expectations, highlighted by the fact that since November of 2007, Patrys has filed 8 new patent applications that cover two new lead products, new disease targets for two of our lead antibodies, and new applications in two evolving areas for cancer treatments: antibody treatments for metastases/residual disease and antibody combination therapies. Given the already high values attributed to antibody assets by industry leaders, which continued to grow through the 1HCY2008, the benefits of this investment have and will continue to far outweigh the associated expenditures.

Financial and Treasury Activities

The financial results of the Company for the year ended 30 June 2008 are summarised as follows:

- On a consolidated basis the Company produced a loss from ordinary activities before income tax of $7,298,667 (2007: $1,644,348). The net loss after tax was $7,323,602 (2007: $1,649,116). Before interest, tax, depreciation and amortisation, the net loss for the same period was $6,986,054 (2007: $1,575,985).
- Interest income of $1,112,296 (2007: $59,880) accounts for revenues shown in the results.
- Direct research and development costs of $5,615,934 (2007: $784,905) have been expensed in the year in which they have been incurred. Management and administration costs contributed a further $2,742,789 (2007: $903,747) to expenses from continuing operations. A significant majority of these management and administration costs were associated with the oversight of research and development activities of the Company. The expenses shown in the accounts are consistent with the budget expectations forecast for the activities performed in each of the Australian and overseas locations.
- US subsidiary results: The operating results for the year attributable to Patrys Inc., a 100 percent owned operating subsidiary in the US, show a net profit of $45,762 (2007: loss of $32,072), attributable to income earned by Patrys Inc. for services provided to the Company. The profit before interest, tax, depreciation and amortisation was $56,341 (2007: loss of $32,072). Patrys Inc. is primarily engaged in providing lead product manufacturing support to the Patrys organisation.
- European subsidiary results: The operating results for the year relating to Patrys GmbH, a 100 percent owned operating subsidiary in Germany, show a net profit after tax of $4,132 (2007: $7,463), attributable to income earned by Patrys GmbH for services provided to the Company. The profit before interest, tax, depreciation and amortisation was $50,189 (2007: 9,650). Patrys GmbH, an R&D organisation, is solely engaged in the advancement and expansion of the Company's product pipeline, technology platform, product applications, and the generation and protection of associated intellectual property.
- Patrys converted a targeted number of Australian dollars to US dollars at a favorable exchange rate to minimise any impact that any fluctuations in the exchange rate may have on operations associated with its US based manufacturing related operations and associated costs.

As noted, a vast majority of the Company's spending over the past year was associated with building Company value through the advancement and expansion of its product pipeline and technologies. Equally important, even with a broad array of value adding activities, as a result of a well measured financial approach to the past year, as of 30 June 2008 the Company's cash and term deposits remain strong at $15,233,976 (2007: 2,321,607). The Directors are of the belief that these funds are adequate to fund the scientific and operational requirements as identified.

Financial summary

Operating Results

The net consolidated loss for the year was $7,323,602 (2007 $1,649,116) and is in line with expectations.

Income

Consolidated revenue during the period was $1,112,296 (2007 $59,880) mainly by way of interest from interest bearing deposits. The Company's policy is to hold its cash reserves in A rated or better deposits.

Total consolidated operating expenses for the period were $8,360,261 (2007: 1,704,228) being:

	2008	2007
Direct Research & Development	3,700,467	533,268
Management & Administration	1,955,929	684,682
Employee Benefits	2,702,327	470,702
Interest Expense	1,538	15,576
Total	8,360,261	1,704,228

Cash Flow Statements

Net cash consolidated outflow from operations was $7,454,956 (2007: $1,064,668).

During the year under review the Company has raised capital to the amount of $25,013,808 (2007 $6,567,019) net of costs.

Balance Sheet

At 30 June 2008 the consolidated entity's cash position was $15,233,976 (2007: $2,321,607).

The Company's policy is to hold its cash and cash equivalent deposits in "A" rated or better deposits.

The Company'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 Company 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. The Company has invested approximately $630,000 for equipment to support the initial establishment of Melbourne based headquarters and research laboratories.

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 2008.

Earnings per share

Earnings Per Share	2008 (Cents)	2007 (Cents)
Basic earnings per share from continuing operations	(4.86)	(2.21)
Basic diluted earnings per shares from continuing operations	(4.86)	(2.21)

Changes in State of Affairs

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

Total Shares Issued

On 13 July 2007, Patrys closed its offer under the Prospectus dated 8 June 2007 and raised $25,000,000 by issuing 62,500,000 shares at $0.40 per share. Patrys subsequently listed on the ASX on 13 July 2007. On completion of the share offer and allotment of ordinary shares pursuant to the IPO, 26,325,000 fully paid Series I preference shares converted to 26,325,000 fully paid ordinary shares and 18,380,475 fully paid Series 2 preference shares converted to 18,380,475 fully paid ordinary shares. Subsequent to the listing of Patrys on the ASX, Patrys also issued in aggregate 4,471,000 fully paid ordinary shares to Takeda Research Investment, Inc. (Takeda) at an issue price of $0.40 each, being (i) 2,250,225 shares to convert into equity a US $750,000 convertible loan made by Takeda to the Company previous to 30 June 2007 (plus accrued interest), and (ii) 2,220,775 shares in consideration of the further equity subscription by Takeda of US$750,000 (as detailed in the Company's Prospectus). The total number of shares now on issue is 152,851,475 fully paid ordinary shares.

Investment in Acceptys, Inc.

Pursuant to a contract entered into by Patrys in January 2007, during the year ending 30 June 2008, Patrys paid cash of US$1,725,000 (2007: US$800,000) for the acquisition of 1,642,857 (2007: 800,000) preferred shares of Acceptys. This aggregate 2007 and 2008 acquired preferred stock provided Patrys with an ownership of 26.68 percent (or 23.20% percent on a fully diluted basis) of the voting rights of Acceptys. On 1 July 2008 Patrys has made a final installment of US$575,000 to Acceptys for 547,619 shares of preferred stock in Acceptys. After payment of the final installment, Patrys will hold 2,990,476 shares of preferred stock in Acceptys and a resulting ownership of 30.82 percent of voting shares in Acceptys (or 26.99 percent on a fully diluted basis). As Patrys holds more than 20 percent of the voting power of Acceptys' equity, Patrys has equity accounted for its investment in Acceptys in accordance with Australian Accounting Standards. As of 12 February 2008, Patrys acquired greater than a 20% interest in Acceptys, and therefore, as of that date, Patrys utilised equity method of accounting to account for its equity interest in Acceptys.

Subsequent Events

On 1 July 2008, the Directors approved a total of 1,540,000 unlisted options to be granted to confirm entitlements arising under existing employment/consultancy agreements as provided in the employee share option plan. No other matter or circumstance has arisen since 30 June 2008 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.

Additional future developments and results

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.

Information on Directors and key management personnel in office during or since the end of the financial year

Director and Executives	Qualifications and Experience	Particulars of directors' interests in shares and options of Patrys Limited: Shares	Options
Non Executive Chairman John Read *BSc (Hons), MBA, FAICD*	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 Pro-Pac Packaging Limited (ASX: PPG), The Environmental Group Limited (ASX: EGL) and a Director of CVC Limited (ASX: CVC), CVC Private Equity Limited and CVC Sustainable Investments Limited. Director of Patrys Ltd since 29 May 2007. Other Directorships of listed companies over the past three years: Pro-Pac Packaging Ltd (since 2005); The Environmental Group Ltd (since 2001); and CVC Ltd (since 1989).	250,000	500,000
Executive Director and Chief Executive Officer Daniel Devine *BSc, MBA, JD*	Mr. Devine founded Acceptys in 2002 and in 2006 formed Patrys. Prior to Acceptys, Mr. Devine managed the international business development team for Pfizer Pharmaceuticals and was responsible for the identification of licensing candidates for key and emerging markets; identifying potential acquisition targets; the divestment of mature products; and the acquisition of several pharmaceutical businesses. Mr. Devine was also integral in the negotiation of relationships with third party collaboration and/or license partners. Prior to joining Pfizer, Mr. Devine was responsible for substantial changes in the licensing, manufacturing and treasury functions for the Warner-Lambert/Parke-Davis organisation. Mr. Devine previously spent seven years as an attorney focusing on large corporate matters including mergers and acquisitions, divestments and financings. Director of Patrys Ltd since 19 February 2007. Other Directorships of listed companies over the past three years: None	14,327,272	Nil
Non Executive Director Michael Stork, *BBA*	Mr. Stork is the Managing Director of F.J. Stork Holdings Ltd., the parent entity for PNK Holdings, an original investor in Acceptys and 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. Director of Patrys Ltd since 19 February 2007. Other Directorships of listed companies over the past three years: None.	26,325,000*	Nil

* These shares are held in a related trust in which Michael Stork in his own right does not control.

Information on Directors and key management personnel in office during or since the end of the financial year *(cont.)*

Director and Executives	Qualifications and Experience	Particulars of directors' interests in shares and options of Patrys Limited: Shares	Options
Non Executive Director Alan Robertson *BSc, PhD*	Dr. Robertson has more than 20 years experience in drug discovery and product development with leading pharmaceutical. companies. In his current role as Chief Executive Officer and Managing Director of Pharmaxis Ltd (ASX: PXS, NASDAQ, PXSL), a position he has held since its founding in 1999, Dr. Robertson has been responsible for leading Pharmaxis Ltd through successful clinical trials, product development, regulatory approval and marketing of its products. Previously, Dr. Robertson spent 8 years with Wellcome plc in London and with Australian companies Faulding Ltd and Amrad Ltd. The co-inventor of 18 patents and author of more than 35 scientific papers, Dr. Robertson has a PhD 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. Director of Patrys Ltd since 29 May 2007. Other Directorships of listed companies over the past three years: Pharmaxis Ltd (since 2000).	Nil	250,000
Chief Operating Officer Vic Ilag *PhD*	Dr. Ilag formerly served as Chief Scientific Officer of HealthLinx Ltd. (ASX:HTX) (formerly Cryptome Pharmaceuticals) and was responsible for applying the Cryptomics technology platform to discover drug leads in cancer and inflammatory diseases. He has more than 13 years experience in antibody drug discovery. In 1998 Dr. Ilag cofounded the German based biotechnology company Xerion Pharmaceuticals AG and until 2004 held varying executive roles such as Managing Director and Chief Scientific/Technology Officer responsible for R & D, business development and operations. Dr. Ilag was also a Member of the R&D Directorate at Germany's Morphosys AG (FSE:MOR), and part of the team that developed the proprietary human antibody library, HuCAL®.	12,500	400,000
Vice President, Development Frank Hensel, *PhD*	Dr. Hensel joined Patrys from OncoMab GmbH, where he was co-founder and CEO since 2002. Before founding OncoMab, Dr. Hensel obtained his Ph.D. from and worked in the laboratory of Dr. Vollmers at the University of Wurzburg, where he was intimately involved in the discovery and successful development of the Company's pipeline and underlying technologies. Dr. Hensel is the Managing Director of Patrys GmbH, a wholly owned subsidiary of the Company, and is responsible for the early development of the Patrys pipeline, target discovery, and antibody production and purification.	Nil	600,000

Information on Directors and key management personnel in office during or since the end of the financial year *(cont.)*

Director and Executives	Qualifications and Experience	Particulars of directors' interests in shares and options of Patrys Limited: Shares	Options
Head of Research Peter Vollmers *PhD, MD*	Dr. Vollmers also joined the Patrys team at the time of the OncoMab and the University of Wurzburg asset acquisitions. Dr. Vollmers' work over the past 17 years has focused on the capture, production and characterisation of anti-cancer natural human monoclonal antibodies. He is a co-founder of OncoMab GmbH and discovered all of OncoMab's anti-cancer antibodies. Dr. Vollmers and his laboratory will work exclusively on the further characterisation and development of the Patrys cancer pipeline through an extensive and long-term sponsored research agreement with the University of Wurzburg, and a consulting agreement with Dr. Vollmers.	Nil	150,000
Chief Financial Officer Mary Sanderson *ACA*	Mrs. Sanderson is a member of the Institute of Chartered Accountants in Australia. Prior to joining Patrys, Mrs. Sanderson spent 6 years with National Westminster Bank (UK) as head of the Global Financial Control Function for NatWest Capital Markets. Mrs. Sanderson acted on various operating boards providing strategic direction, information reporting and regulatory compliance and also facilitated worldwide expansion and new product development. Prior to NatWest, Mrs. Sanderson was part of the global markets control group with Bankers Trust Co. (London), focused on risk management and accounting for interest rate and currency derivatives. Mrs. Sanderson spent 5 years with Arthur Andersen and Co. in Australia, conducting investigations and financial assessments for an array of public and private clients.	Nil	120,000
Secretary Kevin Hollingsworth *FCPA, FCMa*	Mr. Hollingsworth is a Fellow of CPA Australia and a Fellow of the and Chartered Management Accountants (UK). Mr. Hollingsworth is a past National Chairman of CIMA Australia and secretary a past chairman of the National Industry and Commerce Accountants Committee for CPA Australia. Mr. Hollingsworth is Company Secretary and CFO for Alpha Technologies Corporation Ltd (ASX: ASU). Mr. Hollingsworth is the principal of Hollingsworth Financial Services, an Australian company that has provided professional accounting, taxation, business planning and investment strategies to individuals as well as small and medium sized businesses for more than 20 years.	Nil	50,000
VP, Manufacturing Michael Conner	Mike Conner has joined the Patrys team as Vice President, Manufacturing, and will be responsible for the production of our products for clinical and eventual commercial purposes. Mike has extensive antibody production experience, and was most recently the Director of Clinical Manufacturing at antibody sector leader ImClone Systems. He was responsible for Phase I and II production of a number of antibodies in the clinic. He also participated in the process development of Erbitux®, a blockbuster antibody for the treatment of cancer.	Nil	375,000
VP, R&D Paul Andrews	Dr. Andrews formerly served as Assistant Vice President at ImClone Systems, where he developed, implemented, and managed development programs for monoclonal antibody pipeline candidates.	Nil	300,000

Meeting of Directors

The number of meetings of the Company's Directors (including committee meetings of Directors) held during the year ended 30 June 2008 and the numbers of meetings attended by each Director were:

Director	Board of Directors		Nominations & remuneration committee		Audit and risk committee	
	Held	Attended	Held	Attended	Held	Attended
John Read	9	9	2	2	3	3
Daniel Devine	9	9	2	2	3	3
Michael Stork	9	9	2	2	3	3
Alan Robertson	9	9	2	2	3	3

Remuneration report (Audited)

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

A Key management personnel

B Principals used to determine the nature and amount of remuneration

C Details of remuneration

D Service Agreements

E Share-based compensation

F Additional information

A. Key management personnel

The key management personnel include the following:

(a) Directors

(i) Non Executive Chairman
John Read

(ii) Executive Director and Chief Executive Officer
Daniel Devine

(iii) Non-Executive Directors
Michael Stork
Alan Robertson

(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:

Name	Position
Daniel Devine	Chief Executive Officer
Vic Ilag	Chief Operating Officer
Mary Sanderson	Chief Financial Officer
Michael Conner	Vice President, Manufacturing
Frank Hensel	Vice President Development
Paul Andrews	Vice President, Research and Development

Mary Sanderson joined the Company in September 2007 and Michael Conner joined the Company in October of 2007. Paul Andrews left the Company in August 2008. No other changes have occurred after the reporting date and prior to the date of the Directors' Declaration.

B Principals 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 ensures that executive reward complies with good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage
- Transparency
- 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 is aligned to shareholders interests and 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.

Non Executive Directors' Fees

Directors' fees were originally determined as at the date of the Company's public listing on 13 July 2007 and by reference to industry standard. Components of the remuneration package include a cash element together with unquoted medium term options.

Director fees have been set at $50,000 per Non Executive Director and $65,000 for the Chairman and reflect the demands which are made on and the responsibilities of the Directors. However, one Non Executive Director,

Michael Stork, does not receive monetary director fees and did not receive options to date. While there was no limit set on the total directors' fees payable, it was stated in the prospectus that "It is not intended that the directors will increase the payment of fees to directors except with the specific approval of the Shareholders" and this position has not subsequently changed.

Executive pay

The executive pay and reward framework has four components:

- Base pay and benefits
- Short term performance incentives
- Long term incentives
- Other remuneration such as superannuation and relocation expenses

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 executives pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executive contracts other than for Dr. Hensel.

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.

Long term incentives (LTI)

Incentives such as share options are issued to executives and directors in a manner, which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only 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

Options are given to new employees, and upon performance review and in such case based on performance of the individual and the Company both in absolute terms and relative to competitors in the biotechnology sector.

	13 July 2007 (Date of listing)	30 June 2008
Closing share price (IPO price)	$0.40	$0.30
Price increase/(decrease) $		$(0.13)
Price increase/(decrease) %		(33%)
Total key management personnel remuneration		$1,815,343

The Company's remuneration policy seek to reward staff members for their contribution to achieving significant partnering, preclinical, clinical and regulatory milestones. These milestones build sustainable and long term shareholder value. The increase in remuneration since the Company's 2007 IPO reflects the expansion of various preclinical, clinical and regulatory milestones achieved by the Company during the period covered.

The Directors do note that the stock market has corrected significantly over the period from the date of listing to 30 June 2008. The stock price for Patrys has similarly corrected in line with a difficult market. It is in this respect that we work diligently to ensure that our shareholders and other stakeholders are regularly informed of our progress and the exciting opportunity that is associated with our adult stem cell platform technology.

C Details of remuneration

Directors (for Year Ending 30 June 2008)

Details of the remuneration of each Director of Patrys and the key management personnel of the Company are set out in the following tables for the year ended 30 June 2008. 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.

2008	Short-term employee benefits			Post employment benefits		Equity-based payments		
Name	Cash salary & fees	Cash Bonus	Non-monetary benefits*	Super-annuation	Retire-ment benefits	Options	% of Total Remu-neration	Total
	$	$	$	$	$	$		$
Executive directors								
Daniel Devine	225,588	75,000	141,594	-	-	-	-	442,182
Sub-total executive directors	225,588	75,000	141,594	-	-	-	-	442,182
Non executive directors								
John Read	65,000	-	-	-	-	20,615	24%	85,615
Michael Stork	-	-	-	-	-	-	-	-
Alan Robertson	48,063	-	-	4,122	-	19,143	27%	71,328
Total	**338,651**	**75,000**	**141,594**	**4,122**	**-**	**39,758**	**-**	**599,125**

* Non-monetary benefits related to relocation, accommodation, travel for family, and related fringe benefit taxes associated with Mr. Devine's and his family's relocation from the US to Melbourne, Australia.

Other key management personnel

2008	Short-term employee benefits			Post employment benefits		Equity-based payments		
Name	Cash salary & fees	Cash Bonus	Non-monetary benefits*	Super-annuation	Retire-ment benefits	Options	% of Total Remu-neration	Total
	$	$	$	$	$	$		$
Vic Ilag	163,609	27,000	-	14,386	-	41,755	17%	246,750
Frank Hensel	208,696	29,744	18,853	-	-	41,632	14%	298,925
Paul Andrews	234,872	44,603	-	-	-	9,299	3%	288,774
Mike Conner	139,961	37,913	-	-		31,154	14%	209,028
Kevin Hollingsworth	20,348	-	-	-	-	4,385	2%	24,733
Mary Sanderson	76,239	35,000	-	6,861	-	29,908	20%	148,008
Total	**843,725**	**174,260**	**18,853**	**21,247**	**-**	**158,133**	**-**	**1,216,218**

* Non-monetary benefits relate to social security contributions required under German law.

Cash bonuses as compensation for year ending 30 June 2008

During the year ended 30 June 2008 cash bonuses were paid to Daniel Devine ($75,000); Frank Hensel ($29,744); Vic Ilag ($27,000); Paul Andrews ($44,603); Mike Conner ($37,913) and Mary Sanderson ($35,000). Cash bonuses and compensation were paid in relation to service agreements and at the discretion of the Board of Directors. No other bonuses were paid to senior management.

Directors (for year ending 30 June 2007)

Details of the remuneration of each Director of Patrys Limited and the key management personnel of the Company for the year ending 30 June 2007 (not a complete 12 month period as Patrys was founded in December 2006) are set out in the following tables. 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.

2007	Short-term employee benefits			Post employment benefits		Equity-based payments		
Name	Cash salary & fees	Cash Bonus	Non-monetary benefits	Super-annuation	Retire-ment benefits	Options	% of Total Remu-neration	Total
	$	$	$	$	$	$		$
Executive directors								
Daniel Devine	121,787	-	-	-	-	-	-	121,787
Sub-total executive directors	121,787	-	-	-	-	-	-	121,787
Non-executive directors								
John Read	-	-	-	-	-	33,372	100.00%	33,372
Michael Stork	-	-	-	-	-	-	-	-
Alan Robertson	4,117	-	-	378	-	16,686	78.78%	21,181
John Gaffney	37,000	-	-	-	-	-	-	37,000
Total	**162,904**	**-**	**-**	**378**	**-**	**50,058**	**-**	**213,340**

Other key management personnel

2007	Short-term employee benefits			Post employment benefits		Equity-based payments		
Name	Cash salary & fees	Cash Bonus	Non-monetary benefits*	Super-annuation	Retire-ment benefits	Options	% of Total Remu-neration	Total
	$	$	$	$	$	$		$
Vic Ilag	17,973	-	-	1,618	-	-	-	19,591
Frank Hensel	82,950	-	8,027	-	-	-	-	90,977
Paul Andrews	59,909	-	-	-	-	31,996	34.81%	91,905
Kevin Hollingsworth	50,000	-	-	-	-	-	-	50,000
Total	**210,832**	**-**	**8,027**	**1,618**	**-**	**31,996**	**-**	**252,473**

* Non-monetary benefits includes social security contribution paid.

D Service agreements

Remuneration and other terms of employment for the Non Executive Chairman, Chief Executive Officer 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 options.

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

John Read, Non Executive Chairman

- **Term of agreement** – Commencing from May 2007.
- **Director's fee** – $65,000 per annum in the first year; to be reviewed independently and annually by the Board of Directors.
- **Termination** – No terms have been agreed.
- **Bonus** – Nil.
- **Options** – The Chairman shall be entitled to participate in the Executive Share Option Plan of the Company. Upon appointment as Director, Mr. Read was granted 500,000 options, all of which will have vested by May 2009. The Board of Directors anticipates seeking shareholder approval for an additional grant of options.

The Board of Directors has continued this agreement under the same terms set out above. A new agreement is currently being negotiated.

Daniel Devine, Director and Chief Executive

- **Term of agreement** – Commencing 6 May until 31 March 2009. A new agreement is currently being negotiated.
- **Base salary** – for the period ended 30 June 2007 of US$230,000, subject to annual raises at the discretion of the Board of Directors. Raises to be determined independently by the Board of Directors at their discretion, and set as $315,000 for year ending 30 June 2008. A significant portion of this raise was intended to compensate Mr. Devine for the higher tax burden on his salary associated with his relocation to Australia.
- **Termination** – The Executive may be terminated by the Company for cause as detailed in the employment agreement.
- **Bonus** – Under current agreement, and in the Company's sole discretion, the Executive was eligible to receive a bonus up to US$82,000 for the year ending 30 June 2008. Mr. Devine is eligible for bonuses at the end of each subsequent financial year, at the discretion of the Board of Directors and based on individual and Company performance.
- **Employee benefits** – Under current agreement, the Executive shall be entitled to benefits including medical, dental, disability, life insurance, and certain travel and accommodation for himself and his family related to his relocation from the United States to Australia, including schooling expenses for his children. In addition, the Company shall contribute up to 4% of the Base Salary into a retirement plan per annum.
- **Options** – The Executive shall be entitled to participate in the Executive Share Option Plan of the Parent.

Alan Robertson, Non Executive Director

- **Term of agreement** – Commencing 29 May 2007.
- **Director fees** – $50,000 per annum in the first year reviewed independently and annually by the Board of Directors.
- **Termination** – No terms have been agreed.
- **Bonus** – Nil.
- **Options** – Mr. Robertson shall be entitled to participate in the Executive Share Option Plan of the Company. Upon appointment as Director, Mr. Robertson was granted 250,000 options, all of which will have vested by May 2009. The Board of Directors anticipates seeking shareholder approval for an additional grant of options.

The Board of Directors has continued this agreement under the same terms set out above. A new agreement is currently being negotiated.

Vic Ilag, Chief Operating Officer

- **Term of agreement** – Commencing from 19 June 2007 and ongoing unless terminated in accordance with the terms of agreement.
- **Base salary** – $180,000 per annum, with annual raises 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.
- **Options** – The Executive shall be entitled to participate in the Executive Share Option Plan of the Parent.

Frank Hensel, Vice President, Development (Executive Director, Patrys GmbH)

- **Term of agreement** – Commencing from 1 May 2007 and ongoing unless terminated in accordance with the terms of agreement.
- **Base salary** – € 121,000 per annum, subject to increases per annum under agreement.
- **Termination** – By six months' notice from either side.
- **Bonus** – At the discretion of the Board of Directors.
- **Other benefits** – Medical and accidental insurance coverage.
- **Options** – The Executive shall be entitled to participate in the Executive Share Option Plan of the Parent.

Mary Sanderson, Chief Financial Officer

- **Term of agreement** – Commenced September 2007 and ongoing unless terminated in accordance with its terms.
- **Base salary** – $108,000 per annum (part-time appointment), subject to increases per annum under agreement.
- **Termination** – By two months' notice from either side.
- **Bonus** – At the discretion of the Board of Directors.
- **Options** – The Executive shall be entitled to participate in the Executive Share Option Plan of the Parent.

Kevin Hollingsworth, Company Secretary

- Kevin Hollingsworth is paid on a time spent basis.

Mike Conner, Vice President, Manufacturing

- **Term of agreement** – Commencing from 15 October 2007 and ongoing unless terminated in accordance with the terms of the agreement.
- **Base salary** – US$170,000 per annum; subject to annual increases at the Discretion of the Board of Directors.
- **Bonus** – At the discretion of the Board of Directors.
- **Options** – The Executive shall be entitled to participate in the Executive Share Option Plan of the Parent.

E Share-based compensation

Total options granted and general overview

Options are granted under the Patrys Limited Employee Share Option Plan. All Patrys (including subsidiaries Patrys Inc. and Patry GmbH) staff and key consultants are eligible to participate in the plan.

Options are granted under the plan for no consideration.

The valuations of options are determined by using industry standard option pricing model taking into account the terms and conditions upon which the instruments were granted.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	No of options	Expiry date	Vesting date	Exercise price	Fair value per option at grant date	Date exercisable
29/05/2007	300,000	29/05/2012	29/05/2007	0.45	0.1498	29/05/2007
29/05/2007	300,000	29/05/2013	29/05/2008	0.45	0.1607	29/05/2008
29/05/2007	150,000	29/05/2014	29/05/2009	0.45	0.1764	29/05/2009
11/01/2007	150,000	11/01/2012	11/01/2007	0.46	0.1476	11/01/2007
11/01/2007	150,000	11/01/2012	11/01/2008	0.56	0.1314	11/01/2008
06/07/2007	250,000	05/07/2012	06/07/2007	0.46	0.2021	06/07/2007
06/07/2007	25,000	05/07/2013	06/07/2008	0.46	0.2692	06/07/2008
06/07/2007	250,000	05/07/2013	06/07/2008	0.56	0.2692	06/07/2008
06/07/2007	25,000	05/07/2014	06/07/2009	0.56	0.2754	06/07/2009
31/10/2007	245,000	30/01/2013	31/10/2007	0.56	0.2492	31/10/2007
	1,845,000					

Options granted under the plan carry no dividend or voting rights. No amounts were paid for options issued during the year.

Options issued to directors and key management personnel

Details of options granted over ordinary shares 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 exercisable, each option is convertible into one ordinary share of Patrys Limited. Also detailed is the number of options that have vested during the 30 June 2008 financial year. Further information on the options including factors and assumptions used in determining fair value is set out in note 20 to the financial statements.

Name	Number of options granted during the year	Number of options vested during the year
Directors of Patrys Limited		
John Read	-	200,000
Alan Robertson	-	100,000
Other key management personnel		
Frank Hensel	250,000	125,000
Vic Ilag	250,000	125,000
Mike Conner	125,000	125,000
Kevin Hollingsworth	50,000	-
Mary Sanderson	120,000	120,000
Paul Andrews	-	150,000

F Additional information

Details of remuneration: cash bonuses and options

	Cash Bonus Note (iv)		Options					
Name	**Paid %**	**Forfeited %**	**Year granted**	**Vested %**	**Forfeited %**	**Financial years in which options vest**	**Minimum total value of grant yet to vest $**	**Maximum total value of grant yet to vest $**
John Read	-	-	2007	80	-	Note (i)	-	17,643
Daniel Devine	100	-	-	-	-	-	-	-
Michal Stork	-	-	-	-	-	-	-	-
Alan Robertson	-	-	2007	80	-	Note (i)	-	8,821
Paul Andrews	100	-	2007	100	-	-	-	-
Frank Hensel	100	-	2008	50	-	Note (ii)	-	33,650
Vic Ilag	100	-	2008	50	-	Note (ii)	-	33,650
Michael Conner	100	-	2008	100	-	-	-	-
Kevin Hollingsworth	-	-	2008	-	-	Note (iii)	-	13,616
Mary Sanderson	100	-	2008	100	-	-	-	-

Notes (i) The financial years in which options vested are 40% in 2007, 40% in 2008 and 20% in 2009.
(ii) The financial years in which options vested are 50% in 2008 and 50% in 2009.
(iii) The financial years in which options vested are 50% in 2009 and 50% in 2010.
(iv) Cash bonuses were all vested and paid during the 2008 year.

Share-based compensation: options

Further details relating to options are set out below for year ending 30 June 2008

	A	B	C	D	E
Name	**Remuneration consisting of options**	**Value at grant date $**	**Value at exercise date $**	**Value at lapse date $**	**Total of columns B-D $**
Vic Ilag	250,000	58,916	-	-	58,916
Frank Hensel	250,000	58,916	-	-	58,916
Michael Conner	125,000	31,154	-	-	31,154
Kevin Hollingsworth	50,000	13,616	-	-	13,616
Mary Sanderson	120,000	29,908	-	-	29,908

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.
B = The value at grant date calculated in accordance with AASB 2 share-based payment of options granted during the year as part of remuneration.
C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Further details relating to options are set out below for year ending 30 June 2007

	A	B	C	D	E
Name	**Remuneration consisting of options**	**Value at grant date $**	**Value at exercise date $**	**Value at lapse date $**	**Total of columns B-D $**
John Read	500,000	79,744	-	-	79,744
Alan Robertson	250,000	39,871	-	-	39,871
Paul Andrews	300,000	41,854	-	-	41,854

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.
B = The value at grant date calculated in accordance with AASB 2 share-based payment of options granted during the year as part of remuneration.
C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Share options issued subsequent to 30 June 2008

On 1 July 2008, Patrys granted the following key management personnel options over unissued ordinary shares that will form part of remuneration in the 30 June 2009 financial year:

	No of Options granted during year ending 30 June 2008	No of options granted 1 July 2008	Total No of ordinary shares under option at date of report
Vic Ilag – Chief Operating Officer	250,000	150,000	400,000
Frank Hensel – Vice President, Development	250,000	350,000	600,000
Michael Conner – Vice President, Manufacturing	125,000	250,000	375,000

Shares under option

Unissued ordinary shares of Patrys Limited under options at the date of this report are as follows:

Date options granted	Expiry date	Issue price of share	Number under option
11/01/2007	11/01/2012	0.46	150,000
11/01/2007	11/01/2012	0.56	150,000
29/05/2007	29/05/2012	0.45	300,000
29/05/2007	29/05/2013	0.45	300,000
29/05/2007	29/05/2014	0.45	150,000
06/07/2007	05/07/2012	0.46	250,000
06/07/2007	05/07/2013	0.46	25,000
06/07/2007	05/07/2013	0.56	250,000
06/07/2007	05/07/2014	0.56	25,000
31/10/2007	30/01/2013	0.56	245,000
Total			**1,845,000**

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

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 as such 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.

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 as an officer or auditor.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporation 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 *Corporation Act 2001*.

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 (PKF Chartered Accountants) 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 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 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:

	2008 $	2007 $
1 Audit services		
PKF Chartered Accountant Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	66,500	35,000
Non PKF Audit Firm (McIntyre & Company)	28,992	-
Non PKF Audit Firm (Verhulsdonk & Partner)	24,974	16,474
Total remuneration for audit services	**120,466**	**51,474**
2 Other advisory services		
PKF Chartered Accountant Australian firm:		
Independent accountant's report and due diligence for IPO	-	113,325
Advice on tax and disclosure requirements on transaction with Directors and Directors' related parties	6,188	-
Total remuneration for audit and other advisory services	6,188	113,325
Total remuneration	**126,654**	**164,799**

Auditor's independence declaration

A copy of the auditor's declaration under Section 307C in relation to the audit for the period ended 30 June 2008 is attached.

Auditor

PKF Chartered Accountants 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: 30 September 2008

Auditor's independent declaration

to the Directors of Patrys Limited

PKF

Chartered Accountants
& Business Advisers

30 September 2008

The Directors
Patrys Limited
Suite 614
343 Little Collins Street
MELBOURNE VIC 3000

Dear Directors

Auditor's Independence Declaration

As lead auditor for the audit of Patrys Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of 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 year.

Yours faithfully

PKF

D J Garvey
Partner

Tel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | www.pkf.com.au

PKF | ABN 83 236 985 726

Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia

GPO Box 5099 | Melbourne | Victoria 3001

Corporate governance

The Board of Directors of Patrys Limited 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 Company is committed to implementing the highest standards of corporate governance.

In setting its standards the Company has considered the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. Whilst the Company continues to develop and improve its corporate governance processes and standards, the Board is pleased to advise that Patrys' practices are largely consistent with the ASX guidelines.

In accordance with the Council's recommendations, the Corporate Governance Statement that follows contains certain specific information and discloses the extent to which the company has followed the guidelines during the 2007 year. Patrys' Corporate Governance Statement is structured with reference to the ASX Corporate Governance Council's principles and recommendations.

Details of all the recommendations can be found on the ASX Corporate Governance Council's website at www.asx.com.au/about/CorporateGovernance.

The Board has undertaken a comprehensive review of the Company's corporate governance policies. On a continuous basis the Board will adopt a strengthened model that recognises and reflects the ongoing development of the Company. Much care will continue to be taken by the Board to ensure that the model is relevant, efficient and cost effective to the Company and its shareholders.

Principle 1

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 and 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 on-going 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 business risks and the assets of the Company are managed.

Principle 2

Board composition

The Company's Board comprises 4 Directors including an independent non-executive Chairman who was appointed to the position in 2007. There are three non-executive directors. The Board has reviewed its current composition and has instituted a program to continually seek outstanding candidates as non-executive directors.

Structure the Board to add value

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 Director's 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.

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

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 1 year and 4 months
Daniel Devine	Executive Director 1 year and 7 months
Alan Robertson	Independent Non Executive Director 1 year and 4 months
Michael Stork	Non Executive Director 1 year and 7 months

The skills, experience and expertise relevant to their position for all Directors is contained in the Directors' Report.

The Board has established a nomination committee comprising three directors as follows:

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

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 Nominations Committee at the full Board during its regular meetings.

Principle 3

Promote ethical and responsible decision making

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 CFO and other senior Executives in respect of ethical behavior 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.

Summary of provisions – security trading code of conduct

Background

The Board of Directors is committed to there being a free and open market for the Company's securities. Accordingly, the Board fully supports the spirit and letter of the law and the listing rules concerning adequate and reasonable disclosure of information relevant to the company and its securities in line with contemporary continuous disclosure requirements.

The Board is also mindful that trading by directors and other employees of the company at certain times may not be in the best interests of the above commitment. Accordingly, the Board has established and promulgated to all directors and staff a Security Trading Code of Conduct to guide those officers in their responsibilities in respect of trading in the Company's and other companies' securities.

Prohibition

That the Directors, other employees and contractors may trade in the company's securities at any time subject to approval procedures as follows:

1. A request to trade is emailed or a letter sent to the company secretary who circulates this request to the directors. The directors have 7 days to respond and approve or deny the request; and
2. At the end of this 7 day period if there is no objection then that person or contractor has a trading window of 7 calendar days from the approval date.

EXCEPT where that person or contractor is in possession of price sensitive information.

Reporting of trading

All trading by officers, whether during a trading window or subject to specific authorisation, must be reported to the Board and the Company Secretary maintains a register of such trading within the Company's corporate records.

Price sensitive information

The company has published for officers' guidance an exhaustive definition and explanation of what may amount to price sensitive information.

Training

Induction training

All officers of the Company are trained in the Company's Security Trading Code of Conduct as part of their induction training.

Ongoing training

All officers are provided with training in the Company's Security Trading Code of Conduct annually.

Trading in other Companies' securities

The Company's Security Trading Code of Conduct is also expressly applied to other companies with which the company may have dealings where an officer may have, or be perceived to have, price sensitive information.

Principle 4

Safeguard integrity in financial reporting

Audit and Risk Committee

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

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

The Board has established an Audit and Risk Committee comprising of at least 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	Chairman
Alan Robertson	Independent member
John Read	Independent member

The Company has processes in place designed to ensure the truthful and factual presentation of the company's financial position, and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards. In accordance with the Board's policy, the CEO and the CFO made the attestations recommended by the ASX Corporate Governance Council Best Practice Recommendation 4.1 as to the company's financial condition and its operating results prior to the Board signing this annual report.

In line with best practice the Audit & Risk Committee is charged with the selection, independence and rotation of the external auditor.

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

1. Concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. 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.

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.

To ensure that all information of this nature is brought to the attention of the board the Company has developed a training program for all staff.

Principle 6

Respect the rights of Shareholders

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the company is committed to:

1. communicating effectively with shareholders though 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;
3. making it easy for shareholders to participate in general meetings of the Company.

Requesting 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 Company also makes available a telephone number and e-mail address for shareholders to make enquiries of the Company.

Principle 7

Recognise and manage risk

As mentioned above the Board has established an Audit and Risk Committee ("the Committee") to inter alia, 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, Management and the internal audit function; 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 Senior Executive Officer and the Chief Financial Officer in providing written certifications in accordance with the requirements of Section 295A (2) of the Corporations Act have also certified in writing to the Board that such 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

Encourage enhanced performance

The performance of the Board, Committees, individual Directors and key executives is to be reviewed regularly against both measurable and qualitative indicators.

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

Principle 9

Remunerate fairly and responsibly

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the non-executive Chairman and the executive team. The Board has established a Performance and Remuneration Committee, comprising three Directors, the majority of which are non-executive Directors.

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 share option plans to ensure key employees maintain a long-term interest in the growth and value of the company.

During the first period following listing of the company on the ASX, it was also standard practice to align the interests of the Directors with the long-term goals of the company by granting options to non-executive Directors. 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 remuneration structure are to retain and motivate Directors and key executives, attract quality management and provide performance 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.

Principle 10

Recognise the legitimate interests of stakeholders

The Board has recognised the legitimate interest of wider stakeholders in the company and has, in its Code of Conduct, made specific commitments to these respective stakeholders.

Income statement

for the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Revenues from continuing operations	2 a	1,112,296	59,880	1,107,097	58,956
Expenses from continuing operations					
Research & development		(5,615,934)	(784,905)	(6,037,468)	(784,905)
Management & administration		(2,742,789)	(903,747)	(2,390,885)	(882,953)
Interest costs		(1,538)	(15,576)	(1,538)	(15,576)
Share of losses of equity accounted associates		(50,702)	-	-	-
Total expenses from continuing operations		(8,410,963)	**(1,704,228)**	(8,429,891)	**(1,683,434)**
(Loss) before tax		(7,298,667)	(1,644,348)	(7,322,794)	(1,624,478)
Income tax (expense)/benefit	3	(24,935)	(4,768)	-	-
Loss for the year from continuing operations		(7,323,602)	(1,649,116)	(7,322,794)	(1,624,478)
Loss attributable to members of the company		**(7,323,602)**	**(1,649,116)**	**(7,322,794)**	**(1,624,478)**
Earnings per share:					
Basic earnings per share from continuing operations	5	(4.86)	(2.21c)		
Basic diluted earnings per share from continuing operations	5	(4.86)	(2.21c)		

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2008

	Fully paid ordinary shares $	Fully paid Series 1 preference share $	Fully paid series 2 preference shares $	Total Issued Capital $	Accum -ulated Losses $	Other Reserves $	Total $
2008							
Consolidated							
Balance at beginning of period	753,299	1,786,400	4,027,320	6,567,019	(1,649,116)	81,168	4,999,071
Issued capital	32,649,613	(1,786,400)	(4,027,320)	26,835,893	-	-	26,835,893
Transaction costs related to shares issued	(1,822,085)	-	-	(1,822,085)	-	-	(1,822,085)
Loss for the year	-	-	-	-	(7,323,602)	-	(7,323,602)
Translation currency differences	-	-	-	-	-	(837)	(837)
Cost of share based payment	-	-	-	-	-	287,235	287,235
At 30 June 2008	**31,580,827**	**-**	**-**	**31,580,827**	**(8,972,718)**	**367,566**	**22,975,675**
Parent Entity							
Balance at beginning of period	753,299	1,786,400	4,027,320	6,567,019	(1,624,478)	82,054	5,024,595
Issued capital	32,649,613	(1,786,400)	(4,027,320)	26,835,893	-	-	26,835,893
Transaction costs related to shares issued	(1,822,085)	-	-	(1,822,085)	-	-	(1,822,085)
Loss for the year	-	-	-	-	(7,322,794)	-	(7,322,794)
Cost of share based payment	-	-	-	-	-	287,235	287,235
At 30 June 2008	**31,580,827**	**-**	**-**	**31,580,827**	**(8,947,272)**	**369,289**	**23,002,844**
2007							
Consolidated							
Balance at beginning of period	-	-	-	-	-	-	-
Issued capital	1,000,127	1,786,400	4,205,108	6,991,635	-	-	6,991,635
Transaction costs related to shares issued	(246,828)	-	(177,788)	(424,616)	-	-	(424,616)
Loss for the year	-	-	-	-	(1,649,116)	-	(1,649,116))
Translation currency differences	-	-	-	-	-	(886)	(886)
Cost of share based payment	-	-	-	-	-	82,054	82,054
At 30 June 2007	**753,299**	**1,786,400**	**4,027,320**	**6,567,019**	**(1,649,116)**	**81,168**	**4,999,071**
Parent Entity							
Balance at beginning of period	-	-	-	-	-	-	-
Issued capital	1,000,127	1,786,400	4,205,108	6,991,635	-	-	6,991,635
Transaction costs related to shares issued	(246,828)	-	(177,788)	(424,616)	-	-	(424,616)
Loss for the year	-	-	-	-	(1,624,478)	-	(1,624,478)
Cost of share based payment	-	-	-	-	-	82,054	82,054
At 30 June 2007	**753,299**	**1,786,400**	**4,027,320**	**6,567,019**	**(1,624,478)**	**82,054**	**5,024,595**

The accompanying notes form part of these financial statements.

Balance sheet

as at 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Current assets					
Cash & cash equivalents	6	15,233,976	2,321,607	14,261,367	1,845,940
Trade & other receivables	7	200,615	1,237	1,311,396	303,316
Deferred capital raising costs		-	344,763	-	344,763
Other current assets	11	756,096	37,561	724,183	31,240
Total current assets		16,190,687	2,705,168	16,296,946	2,525,259
Non-current assets					
Investment accounted for using the equity method	8	2,860,267	-	2,910,969	-
Property, plant and equipment	9	640,515	58,776	282,648	2,503
Other financial assets	10	-	1,029,980	233,542	1,071,730
Intangible assets	12	4,166,506	3,560,788	4,166,506	3,560,788
Total non-current assets		7,667,288	4,649,544	7,593,665	4,635,021
Total assets		**23,857,975**	**7,354,712**	**23,890,611**	**7,160,280**
Current liabilities					
Trade and other payables	13	821,896	1,105,942	853,679	974,356
Current tax liabilities	3	25,154	-	-	-
Borrowings	14	9,158	1,034,415	9,158	946,045
Total current liabilities		856,208	2,140,357	862,837	1,920,401
Non-current liabilities					
Trade and other payables	13	-	215,284	-	215,284
Deferred tax liabilities	3	1,162	-	-	-
Borrowings	14	24,930	-	24,930	-
Total non-current liabilities		26,092	215,284	24,930	215,284
Total liabilities		**882,300**	**2,355,641**	**887,767**	**2,135,685**
Net assets		**22,975,675**	**4,999,071**	**23,002,844**	**5,024,595**
Equity					
Issued capital	15	31,580,827	6,567,019	31,580,827	6,567,019
Reserves	16 a	367,566	81,168	369,289	82,054
Accumulated losses	16 b	(8,972,718)	(1,649,116)	(8,947,272)	(1,624,478)
Total equity		**22,975,675**	**4,999,071**	**23,002,844**	**5,024,595**

The accompanying notes form part of these financial statements.

Cash flow statement

for the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Cash flows from operating activities					
Payments to suppliers and employees		(8,565,714)	(1,108,972)	(8,459,758)	(1,210,891)
Finance costs		(1,538)	(15,576)	(1,538)	(15,576)
Interest received		1,112,296	59,880	1,107,098	58,956
Net cash used in operating activities	17 (b)	(7,454,956)	(1,064,668)	(7,354,198)	(1,167,511)
Cash flows from investing activities					
Payments for property, plant & equipment		(608,465)	(61,124)	(275,170)	(2,635)
Payments for intangible assets		(855,979)	(1,778,406)	(855,979)	(1,778,406)
Investment in subsidiaries		-	-	(191,792)	(41,750)
Investment in Acceptys, Inc.		(1,880,989)	(1,029,980)	(1,880,989)	(1,029,980)
Loan to subsidiary companies		-	-	(828,410)	(302,079)
Net cash used in investing activities		(3,345,433)	(2,869,510)	(4,032,340)	(3,154,850)
Cash flows from financing activities					
Net proceeds from issue of shares		25,889,848	5,991,635	25,889,848	5,991,635
Payment for share issue expenses		(1,477,322)	(769,379)	(1,477,322)	(769,379)
Proceeds from borrowings		-	1,034,415	-	946,045
Repayment of borrowings		(610,561)	-	(610,561)	-
(Repayment)/Proceeds to associates		(88,370)	-	-	-
Net cash provided by financing activities		23,713,595	6,256,671	23,801,965	6,168,301
Net increase in cash and cash equivalents		12,913,206	2,322,493	12,415,427	1,845,940
Effects of exchange rate changes on the balance of cash held in foreign currencies		(837)	(886)	-	-
Cash & cash equivalent at beginning of year		2,321,607	-	1,845,940	-
Cash & cash equivalent at end of year	17 (a)	15,233,976	2,321,607	14,261,367	1,845,940

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2008

Introduction

The financial report covers Patrys Limited as an individual entity ("Patrys" or the "Company" or "Parent") and the consolidated entity consisting of Patrys and its subsidiaries ("Group"). Patrys Limited is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange. Patrys is the parent entity and is incorporated and domiciled in Australia. The presentation currency and functional currency of the Company is Australian dollars.

The principal activity of the 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 disease.

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

1. Statement of significant accounting policies

The significant policies which have been adopted in the preparation of these financial statements are:

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.

The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

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 dollars.

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.

Adoption of new and revised accounting standards

The Group has adopted the following standards as listed below which have only affected the disclosures in the Group's financial statements.

- AASB 101 Presentation of Financial Statements (revised October 2006)
- AASB 7 Financial Instruments: Disclosures

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 'the Group' in these financial statements. 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. In the separate financial statements of the Company, intra group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

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

(b) Going concern

The financial statements have been prepared on a going concern basis. The financial statements have been prepared in accordance with generally accepted accounting standards, which are based on the Company continuing as a going concern. The Group has incurred operating losses; however the group is able to continue as a going concern on the basis that the Group is able to procure ongoing financing of working capital as required.

For the year ended 30 June 2008, the Group incurred an operating loss of $7,323,602 (2007: $1,649,116) as it furthered its investment in research and development activities. As of 30 June 2008, the Company's net assets stood at $22,975,675 (2007: $4,999,071), with available cash of $15,233,976 (2007: $2,321,607)

(c) 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 borrowing in current liabilities on the balance sheet. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(d) 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.

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.

(e) 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 recognized in the financial statements concerns managements review of the following items for indicators of impairment: (i) investments in and loans to subsidiaries in the parent entity; (ii) investments in associates in the parent entity and the consolidated entity; and (iii) intangibles in the parent entity and consolidated entity. The carrying amount of investments in subsidiaries at 30 June 2008 is $233,542 (2007: $41,750), the carrying amount of intangibles at 30 June 2008 is $4,166,506 (2007: $3,560,788) and the carrying amount of investments in associates in the consolidated entity is $2,860,267 and the parent entity is $2,910,969.

The Company tests annually whether investments in subsidiaries, loans to subsidiaries, and associates have suffered any impairment in accordance with the accounting policy stated in note 1(u) and the consolidated entity tests annually whether intangibles have suffered any impairment in accordance with the accounting policy stated in note 1(u).

Other areas that require significant judgment 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 balance 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.

(f) 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 are depreciated over their estimated useful lives using the straight line method. The expected useful life for plant and equipment is 5 years. Profits and losses on disposal of plant and equipment are taken into account in determining the profit 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 income statement.

(g) Investments

Shares in controlled entities are shown in the balance sheet of the parent entity at cost or recoverable amount. Controlled entities are accounted for in the consolidated accounts as set out in the note 1(a).

(h) Investments accounted for using the equity method

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

The investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate, less any

impairment in value. The income statement reflects the Company's share of the results of operations of the associate.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

When there has been a change recognised directly in the associate's equity, the Company recognised its share of any change and disclosed this, when applicable, in the statement of changes in equity.

The carrying value of an investment accounted for using the equity method is assessed annually to determine whether there is any indication that the asset may be impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount.

(i) Trade and other receivables

Trade receivables and other receivables represent the principal amounts due at balance 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 60 days.

(j) 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.

(k) Trade and other payables

Payables represent the principal amounts outstanding at balance 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.

(l) Borrowings

Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other credits.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date

(m) Borrowing costs

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the assets for its intended use or sale. No borrowing costs were capitalised during the financial year ended 30 June 2008 (2007: Nil). Other borrowing costs are expensed.

(n) Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to ownership of the asset, are classified as finance leases (note 14). 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 Company or consolidated entity 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 substantial risks and benefits remain with the lessor are charged as expenses in the periods in which they are incurred.

(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 grant. 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 grant 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) Convertible notes

The component of the convertible notes that exhibits characteristics of a liability are recognised as a liability in the balance sheet, net of issue costs

On the issue of the convertible note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the conversion option that is recognised and included in

shareholders' equity, net of issue costs. The value of the conversion option is not changed in subsequent years.

Issued costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(q) Income taxes

Income taxes are accounted for using the comprehensive balance sheet 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.

(r) Issued capital

Ordinary shares are classified as equity (note 15).

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.

(s) 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 Balance Sheet.

Cash flows are included in the Cash Flows Statement 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, are classified as operating cash flows.

(t) Revenue recognition

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.

(u) Impairment of assets

Goodwill and intangible assets that have an idenfinite useful life 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. Other assets are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impaired loss is recognised for the amount by which the asset's carrying amount may not be recoverable.

At each reporting date, the Company and the consolidated entity reviews the carrying amounts of its 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.

Goodwill, intangible assets with indefinite useful lives and intangibles assets not yet available for use are tested for impairment annually and wherever there is an indication that the assets may be impaired. An impairment of goodwill is not subsequently reversed.

(v) Foreign Currency Translation

(i) 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.

(ii) 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 income statement, 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 balance date. Foreign exchange gains or losses resulting from the translation of monetary assets and liabilities at year end exchange rates are recognised in the income statement.

(iii) 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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 income statement, 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 Inc. is United States Dollars.

(w) Intangible assets

Patents and licences

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

Patents and licences comprise licences, intellectual property and registered patents. Amortisation is calculated using straight-line method, over their estimated useful lives from 12 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 measure at faire value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequently to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

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

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

(i) has been acquired principally for the purpose of selling in the near future;

(ii) is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the

Group's right to receive payments is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

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.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet 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) Comparative figures
Comparatives have been reclassified so as to be consistent with the figures presented in the current year.

(z) New and revised accounting standards and interpretations
Patrys Limited has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2007.

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date. Application of these standards are not expected to have a material impact on the parent entity or the consolidated entity.

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
8	Operating Segment	Feb 2007	1 Jan 2009
101	Presentation of Financial Statements (Amended)	Sept 2007	1 Jan 2009
3	Business combinations (Amended)	Mar 2008	1 Jul 2009
127	Consolidated and Separate Financial Statements (Amended)	Mar 2008	1 Jul 2009
2008-1	Amendments to Australian Accounting Standard – Share-based Payments; Vesting Conditions and Cancellations	Mar 2008	1 Jan 2009
2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Jul 2008	1 Jan 2009

Notes to the financial statements *(cont.)*

for the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Note 2: Revenue and expenses from continuing operations					
(a) Revenue					
Interest received – bank deposits		1,112,296	59,880	1,107,097	58,956
Total revenue from continuing operations		1,112,296	59,880	1,107,09	58,956
(b) Expenses					
Employee salary & benefit expenses					
Salary and employee benefit expenses		2,359,552	386,652	763,271	386,652
Defined contribution superannuation expenses		55,540	1,996	55,540	1,996
Expenses of share based payments		287,235	82,054	287,235	82,054
Total employee salary & benefit expenses		2,702,327	470,702	1,106,046	470,702
Depreciation and amortisation of non-current assets:					
Plant and equipment		60,814	2,348	29,113	132
License and registered patents		250,261	50,439	250,261	50,439
Total depreciation and amortisation		311,075	52,787	279,374	50,571
Foreign currency exchange differences		(917,406)	(26,229)	(1,003,398)	(26,229)
Total foreign currency exchange differences		(917,406)	(26,229)	(1,003,398)	(26,229)
Operating expenses					
Research and development expenses		5,615,934	784,905	6,037,468	784,905
Operating lease expenses		95,627	22,648	26,934	9,847
Note 3: Income taxes					
The prima facie income tax expense on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense in the financial statements as follows:					
Current tax expense in respect of current year		24,935	4,768	-	-
Benefit arising from previously unrecognised tax losses		(23,773)	-	-	-
Temporary difference		1,162	4,768	-	-
Loss from continuing operation		(7,298,667)	(1,644,348)	(7,322,794)	(1,624,478)
Income tax calculated at 30%		(2,189,599)	(494,735)	(2,196,838)	(487,343)
Effect of expenses that are not deductible in determining taxable loss		1,187,783	169,642	1,187,783	169,642
Patent expenses that are not deductible		75,078	15,132	75,078	15,132
Option expenses that are not deductible		86,170	24,616	86,170	24,616
Effect of equity accounted losses that are not deductible		15,211	-	-	–
Deferred tax liabilities		1,162	-	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions		1,323	-	-	-
Deferred tax assets not brought into account		847,807	280,577	847,807	277,953
Income tax expenses		24,935	4,768	-	-
Current tax liabilities					
Income tax payable attributable to subsidiaries		25,154	-	-	-

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Deferred tax liabilities arise from the following:					
Temporary differences in property, plant & equipment		1,162	-	-	-
Unrecognised deferred tax assets					
The following deferred tax assets have not been brought to account as assets:					
Tax losses – revenue		847,807	280,577	847,807	277,953

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

(a) Assurance services				
Audit services				
PKF Australian Firm				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	66,500	35,000	66,500	35,000
Non PKF Audit Firm (Verhulsdonk & Partner) Germany	24,974	16,474	-	-
Non PKF Audit Firm (McIntyre & Company) US	28,992	-	-	-
Total remuneration for Audit services	120,466	51,474	66,500	35,000
(b) Advisory services				
PKF Australian Firm				
Acting as Independent Accountant in relation to issue of Prospectus by Company	6,188	113,325	6,188	113,325
Total remuneration for Advisory services	6,188	113,325	6,188	113,325

Notes to the financial statements *(cont.)*

for the year ended 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $
Note 5: Earnings per share			
Net loss used in calculating basic earnings per share:		7,323,602	1,649,116
Net loss used in calculating diluted earnings per share:		7,323,602	1,649,116

	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	150,747,426	74,577,760
Dilutive potential ordinary shares	-	-
Weighted average number of ordinary shares	150,747,426	74,577,760

As at 30 June 2008 the Company had issued options over unissued capital (refer to note 15b). As the exercise of these options would decrease basic loss per share, these options are not considered dilutive.

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Note 6: Cash and cash equivalents					
Cash at bank		1,166,959	505,416	194,350	29,749
Deposit at call		10,067,017	1,816,191	10,067,017	1,816,191
Term deposit		4,000,000	-	4,000,000	-
Total		**15,233,976**	**2,321,607**	**14,261,367**	**1,845,940**
Note 7: Trade and other receivables current					
Unsecured loan to subsidiaries:					
Patrys GmbH		-	-	536,967	66,424
Patrys Inc.		-	-	593,522	235,655
Other debtors*		200,615	1,237	180,907	1,237
Total		**200,615**	**1,237**	**1,311,396**	**303,316**

* Other debtors include $107,801 owed by Acceptys, Inc. to Patrys per a contractual service agreement. These and all other debtors are not past due and are not considered impaired.

Note 8: Investment accounted for using the equity method

Non current	Note	Consolidated		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
Investments accounted for using the equity method	(a)	2,860,267	-	2,910,969	-
Total		**2,860,267**	**-**	**2,910,969**	**-**

(a) Carrying amount

Name of Entity	Country of Incorporation	Principal Activity	Ownership Interest 30 June 2008	Carrying Amount 30 June 2008	Ownership Interest 30 June 2007	Carrying Amount 30 June 2007
			%	%	$	$
Acceptys, Inc.,	USA	Commercialisation of natural human antibody capture and production technologies	26.68%	10.65%	2,860,267	1,029,980

(b) Movement in carrying amount

Balance at 1 July	1,029,980	-
Additional investment	1,880,989	1,029,980
Share of loss for the year (i)	(50,702)	-
Balance at 30 June 2008	**2,860,267**	**1,029,980**

Note (i) Acceptys, Inc. became an associate on 12 February 2008 as detailed below. Prior to that date it was classified as an available for sale financial asset (refer to note 10).

The following information has been extracted from the audited report of Acceptys, Inc. and translated from US dollars to AU dollars at the exchange rate prevailing at year end.

Summaries of financial information of associates:

	Consolidated 30 June 2008 $
Financial position	
Total assets	5,171,105
Total liabilities*	(3,439,794)
Net assets	1,731,311
Company's share of net assets	**461,914**

*Total liabilities include Acceptys, carrying of Patrys preferred equity interest in Acceptys as a payable.

Financial performance	
Income	791
Expenses	(363,973)
Net loss	**(363,182)**
Company's share of associates' loss	
Share of associate's loss before tax benefit	80,522
Share of associate's income tax benefit	(29,820)
Share of associates' loss	**50,702**

There are no contingent liabilities in relation to the associate at 30 June 2008.

Pursuant to a contract entered into by Patrys in January 2007, during the year ending 30 June 2008, Patrys paid cash of US$1,725,000 (2007: US$800,000) for the acquisition of 1,670,238 (2007: 800,000) preferred shares of Acceptys. This aggregate 2007 and 2008 acquired Acceptys preferred shares provided Patrys with an ownership of 26.68 percent (or 23.20% percent on a fully diluted basis) of the voting rights of Acceptys. On 1 July 2008 Patrys paid a final installment of US$575,000 to Acceptys for 547,619 shares of preferred stock in Acceptys. After payment of the final installment, Patrys held 2,990,476 shares of preferred stock in Acceptys and a resulting ownership of 30.82 percent of voting shares in Acceptys (or 26.99 percent on a fully diluted basis).

Patrys obtained greater than 20 percent interest on 12 February 2008, which in the date the investment was classified from available for sale investments to an associate. Patrys commenced to account its investment in Acceptys using the equity method on that date.

The Directors have made an assessment of the recoverable amount of this investment, reviewing research results to date against the original milestones and work plans, and after having considered current market conditions they are satisfied that the recoverable amount of the investment at balance date is equal to or in excess of its cost. It should be noted that the recoverable value of this investment is in part dependent on Acceptys' research and development program and subsequent commercialisation. It is also important to note that the recoverable value of this investment depends in part on Acceptys' ability to obtain financing from either private or public equity markets, which during the period under review have realised losses. However, due to Acceptys' current cash position that will cover additional activities over an extended period of time, the Directors believe that Acceptys' value is retained. The Directors are of the view that the investment in Acceptys Inc. is not impaired at balance date.

Note 9: Property, plant and equipment

		Consolidated		Parent Entity	
	Note	2008 $	2007 $	2008 $	2007 $
Plant and equipment					
At cost		661,488	61,124	269,704	2,635
Accumulated depreciation		(59,712)	(2,348)	(25,795)	(132)
Net plant and equipment		601,776	58,776	243,909	2,503
Plant and equipment – hire purchase					
At cost		42,189	-	42,189	-
Accumulated depreciation		(3,450)	-	(3,450)	-
Net plant and equipment – hire purchase		38,739	-	38,739	-
Total net plant and equipment		**640,515**	**-**	**282,648**	**-**
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:					
Balance at the beginning of year		58,776	-	2,503	-
Additions		598,354	61,124	267,069	2,635
Depreciation expense		(57,364)	(2,348)	(25,663)	(132)
Foreign exchange increment		2,010	-	-	
Carrying amount at the end of year		**601,776**	**58,776**	**243,909**	**2,503**
(ii) Plant and equipment hire purchase:					
Balance at the beginning of year		-	-	-	-
Additions		42,189	-	42,189	-
Depreciation expense		(3,450)	-	(3,450)	-
Foreign exchange increment		2,010	-	-	
Carrying amount at the end of year		**38,739**	**58,776**	**38,739**	**2,503**

Note 10: Other financial assets

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Non-current					
Investment in subsidiaries:					
Investments in subsidiary companies at cost	10 (b)	-	-	233,542	41,750
Available for sale investments carried at fair value:					
Preferred stock in Acceptys, Inc.	10 (a)	-	1,029,980	-	1,029,980
Total		**-**	**1,029,980**	**233,542**	**1,071,730**

(a) Unlisted shares

(i) Information relating to preferred stock investments is set out below.

Name of Entity	Country of Incorporation	Principal Activity			Ownership Interest 30 June 2007	Carrying Amount 30 June 2007
			%	%	$	$
Acceptys Inc	USA	Commercialisation of natural human antibody capture and production technologies			10.65%	1,029,980

As at 30 June 2008, Patrys has invested cash of US$2,525,000 for the acquisition of 2,442,857 preferred stock in Acceptys. This preferred stock provides Patrys with equity interest in Acceptys of 26.68 percent (or 23.2 percent on a fully diluted basis). Patrys commenced to account its investment in Acceptys using the equity method from 12 February 2008 on which date Acceptys became an associate. During the 2008 financial year the investment was transferred to investment accounted for using equity method (refer to note 8).

(b) Subsidiaries

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Investments in wholly owned entities	-	-	233,542	41,750
	-	**-**	**233,542**	**41,750**

Name of entity	Country of Incorporation	Class of share	Percentage Owned 2008	Percentage Owned 2007
Parent Entity:				
Patrys Limited	Australia			
Controlled Body Corporate of:				
Patrys GmbH	Germany	Ordinary	100%	100%
Patrys Inc	USA	Ordinary	100%	100%

Notes to the financial statements *(cont.)*

for the year ended 30 June 2008

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Note 11: Other current assets				
Prepayments*	**756,096***	**37,561**	**724,183**	**31,240**

* Included in prepayments is US$575,000 advanced to Acceptys, Inc., per a January 2007 contract between the parties, for the purchase of preferred shares in Acceptys. Pursuant to the terms of that agreement, these additional shares in Acceptys, Inc. were not issued until July 2008, and therefore attaching rights did not vest until after balance date.

Note 12: Intangible Assets

Current				
Intellectual property establishment and licenses acquired at cost	4,467,206	3,611,227	4,467,206	3,611,227
Less: Accumulated amortisation	(300,700)	(50,439)	(300,700)	(50,439)
	4,166,506	**3,560,788**	**4,166,506**	**3,560,788**
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	3,560,788	-	3,560,788	-
Additions - acquisitions	855,979	3,611,227	855,979	3,611,227
Amortisation expense (i)	(250,261)	(50,439)	(250,261)	(50,439)
Carrying amount at the end of year	**4,166,506**	**3,560,788**	**4,166,506**	**3,560,788**

(i) Amortisation expense is included in the line item "management and administration" in the income statement

(ii) Intangible assets comprise licences, intellectual property 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 range from 12 to 20 years. Remaining amortisation periods range from 16 to 19.5 years.

Note 13: Trade and other payments

Current				
Payables associated with acquisition of IP	222,260	617,537	222,260	617,537
Trade creditors	599,636	488,405	631,419	356,819
Total	**821,896**	**1,105,942**	**853,679**	**974,356**
Non-current				
Payables associated with acquisition of IP	-	215,284	-	215,284
Total	**821,896**	**1,321,226**	**853,679**	**1,189,640**

Note 14: Borrowings

Current					
Convertible note – Takeda	(i)	-	946,045	-	946,045
Unsecured advance from Acceptys Inc	(ii)	-	88,370	-	-
Finance lease liabilities	(iii)	9,158	-	9,158	-
Total		**9,158**	**1,034,415**	**9,158**	**946,045**
Non-current					
Finance lease liabilities	(iii)	24,930	-	24,930	-
Total		**24,930**	**-**	**24,930**	**-**

(i) The Company issued to Takeda Research Investment a convertible note for US$750,000. Interest payable by the Company was at a rate per annum that is normal for such a convertible note. The Note has been converted to 2,102,042 ordinary shares upon the completion of the Offer of Shares under the Prospectus.
Takeda Research Investment also agreed to enter a voluntary restriction agreement with respect to the Patrys Shares pursuant to which it agrees not to deal with or dispose of its shares for a period of 12 months from the Listing of the Company. This period has now expired.
(ii) This is the amount of loan (US$ 75,000) advanced from Acceptys Inc for the start up of Patrys Inc. This amount has been repaid during this financial year.
(iii) Secured by the assets leased. The borrowings are of fixed interest rate debt with repayment periods not exceeding 5 years. The current weighted average effective interest rate on the finance liabilities is 5.15% per annum.

Note 15: 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 shareholders 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:

Issued Shares	2008	2007	2008	2007
	No. of Shares		$	$
At the beginning of the reporting period	85,880,475	-	6,567,019	-
20,925,000 ordinary shares issued on incorporation at 0.0006 cents per share	-	20,925,000	-	127
20,250,000 ordinary shares for acquisition of intellectual property at 4.938 cents per share	-	20,250,000	-	1,000,000
26,325,000 fully paid Series 1 preference shares which converted to ordinary shares on completion of ASX listing	-	26,325,000	-	1,786,400
18,380,475 fully paid Series 2 preference shares which converted to ordinary shares on completion of ASX listing	-	18,380,475	-	4,205,108
Shares issued on IPO at 40 cents per share	62,500,000	-	25,000,000	-
Convertible note converted to shares at 40 cents per share	4,471,000	-	1,835,893	-
Transaction costs arising on issue of shares	-	-	(1,822,085)	(424,616)
At end of the reporting period	**152,851,475**	**85,880,475**	**31,580,827**	**6,567,019**

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Balance at beginning of the year	25,496,030	-	25,496,030	
Granted during the year	1,153,500	25,496,030	1,153,500	25,496,030
Exercised during the year	-	-	-	
Lapsed during the year	-	-	-	
Balance at end of the year	**26,649,530**	**25,496,030**	**26,649,530**	**25,496,030**

Notes to the financial statements *(cont.)*

for the year ended 30 June 2008

Option – Series	Number	Vesting date	Expiry date	Exercise price $	Unvested at Year End
Granted 11 January 2007	150,000	11/01/2007	11/01/2012	0.46	-
Granted 11 January 2007	150,000	11/01/2008	11/01/2012	0.56	-
Granted 29 May 2007	300,000	29/05/2007	29/05/2012	0.45	-
Granted 29 May 2007	300,000	29/05/2008	29/05/2013	0.45	-
Granted 29 May 2007	150,000	29/05/2009	29/05/2014	0.45	-
Granted 31 March 2007	4,595,851	13/01/2008	13/07/2012	0.45	-
Granted 31 March 2007	4,595,852	13/07/2008	13/07/2012	0.45	4,595,852
Granted 31 March 2007	7,627,163	13/01/2008	13/07/2012	0.80	-
Granted 31 March 2007	7,627,164	13/07/2008	13/07/2012	0.80	7,627,164
Granted 6 July 2007	250,000	06/07/2007	05/07/2012	0.46	-
Granted 6 July 2007	25,000	06/07/2008	05/07/2013	0.46	25,000
Granted 6 July 2007	250,000	06/07/2008	05/07/2013	0.56	250,000
Granted 6 July 2007	25,000	06/07/2009	05/07/2014	0.56	25,000
Granted 31 October 2007	603,500	31/01/2008	31/12/2013	0.56	-
	26,649,530				**12,523,016**

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

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Note 16: Reserves and accumulated losses				
(a) Reserves				
Foreign currency translation reserve	(1,723)	(886)	-	-
Share options reserve – equity settled employee benefits	369,289	82,054	369,289	82,054
Balance 30 June	**367,566**	**81,168**	**369,289**	**82,054**

Exchange differences relating to translation from functional currencies of the Group's foreign controlled entities into Australian Dollars are bought to account by entries made directly to the foreign currency translation reserve

Movements:				
Foreign currency translation reserve				
Balance 1 July	(886)	-	-	-
Net adjustment arising from the translation of foreign controlled entities' financial statements	(837)	(886)	-	-
Balance 30 June	**(1,723)**	**(886)**	**-**	**-**

The equity settled employee benefits reserves arises on grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserves and into issued capital when the options are exercised. Further information about share based payments to Directors is made at note 21 of the financials statements.

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Share options reserve				
Balance 1 July	82,054	-	82,054	-
Value of options issued	287,235	82,054	287,235	82,054
Balance 30 June	**369,289**	**82,054**	**369,289**	**82,054**
(b) Accumulated losses				
Balance 1 July	(1,649,116)	-	(1,624,478)	-
Net loss for the year	(7,323,602)	(1,649,116)	(7,322,794)	(1,624,478)
Balance 30 June	**(8,972,718)**	**(1,649,116)**	**(8,947,272)**	**(1,624,478)**

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $

Note 17: Cash flow information

(a) Reconciliation of cash

Cash at bank	1,166,959	505,416	194,350	29,749
Deposit at call	10,067,017	1,816,191	10,067,017	1,816,191
Term deposit	4,000,000	-	4,000,000	-
	15,233,976	**2,321,607**	**14,261,367**	**1,845,940**

(b) Reconciliation of cash flow used in operations with loss after income tax

Loss from ordinary activities	(7,323,602)	(1,649,116)	(7,322,794)	(1,624,478)
Non cash movements: -				
Depreciation and amortisation	311,075	52,787	279,374	50,571
Equity settled share based payment	287,235	82,054	287,235	82,054
Equity accounted losses on investment	50,702	-	-	-
(Increase)/decrease in trade and other receivables	(199,378)	(1,237)	(179,670)	(1,237)
(Increase)/decrease in prepaid expenses	(718,535)	(37,561)	(692,943)	(31,240)
Increase/(decrease) in trade creditors and accruals	137,547	488,405	274,600	356,819
Cash flows used in operations	**(7,454,956)**	**(1,064,668)**	**(7,354,198)**	**(1,167,511)**

During the year ended 30 June 2008, Patrys acquired a motor vehicle by way of a finance lease by way of a 2 year lease to present value minimum lease payment of $34,088.

During the year ended 30 June 2007, Patrys acquired intellectual property via the issue of 20,250,000 fully paid ordinary shares for a consideration of $1,000,000

Note 18: 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	No payment expected for 3 years; contingent payments possible for up to 20 years
Acceptys Rights Agreement	No payment expected for 3 years; contingent payments possible for up to 20 years
Wurzburg Cooperation Agreement	Payments started in 2007; contingent payments possible for up to 20 years
Confirmation Assignment Agreement: Patrys, University of Wurzburg and Acceptys	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 were listed in our 2007 Annual Report and 2007 Prospectus and are still current, see below:

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

Vollmers Acquisition Agreement

Patrys is committed to make additional payments as further consideration for the Vollmers Technology Assets. This liability was triggered on a successful listing on the ASX with $150,000 payable six months from the date of ASX listing and payments of $100,000 payable 18, 30, 42 and 60 months from the date of ASX listing. The present value of these payments of $446,629 was recorded as a liability subsequent to 30 June 2007 as the ASX listing occurred on 13 July 2007. These payments have been capitalised into intangible assets. In addition 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 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 milestone payments and 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.

Acceptys Rights Agreement

Patrys is committed to making certain payments to Acceptys as follows:

- milestone payments for products derived from the OncoMab Hybridomas in the amount of $500,000 upon attaining written approval by the FDA of a phase III clinical trial; and
- a payment for regulatory approval in the first of any of the United Kingdom, France, Germany, Italy or Spain and royalties on sales of products derived from the Vollmers Assets and OncoMab Assets, the Transferred Assets and the Assigned Columbia Assets respectively 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 Wurzburg assigned to Patrys all of its rights, title and interest in a library of hybridomas (Hybridoma Library) 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 balance date but not provided for in the accounts.

(c) Further investments in Acceptys

Pursuant to a January 2007 contract, in addition to the 800,000 preferred stock held by Patrys in Acceptys, Inc. as of March 2007, Patrys was committed to investing a further US$2.3 million in Acceptys. On ASX listing, these payments were required to be made in four quarterly instalments of US$575,000 commencing on 1 October 2007. Patrys listed on the ASX on 13 July 2007 and 3 quarterly payments have been made during the financial year ended 30 June 2008 and on 1 July 2008.

(d) Technology agreement

Patrys – DSM – Crucell Transactions

In May of 2007, Patrys entered into contracts with DSM Biologics Company and Crucell Holland B.V., covering the evaluation of Crucell's 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) and the Crucell technologies are now being used to facilitate the production of the Company's natural human antibodies. In return for the use of these technologies, Patrys is obligated to pay certain success fees and low royalty payments to Crucell.

Note 19: Leases

Finance leases

Leasing arrangements

The finance lease relate to a motor vehicle with a lease term of 2 years. The Group has options to purchase the motor vehicle for a nominal amount at the conclusion of the lease agreement. The Group's obligation under the finance lease is secured by the lessor's title to the leased asset.

Finance lease liabilities

	Present value of minimum future lease payments			
	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
No later than 1 year	11,397	-	11,397	-
Later than 1 year and not later than 5 years	25,657	-	25,657	-
Minimum future lease payments	37,054	-	37,054	-
Less future finance charges	(2,966)	-	(2,966)	-
Present value of minimum lease payments	**34,088**	**-**	**34,088**	**-**
Included in the financial statements as: (note 14)	9,158		9,158	
Current borrowings	24,930		24,930	
Non-current borrowings	**34,088**		**34,088**	

*Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

Operating leases

Leasing arrangements

Patrys has leased office space at 343 Little Collins Street, Melbourne, Australia, has a term extending to 1 December 2009, with an option to extend for 2 additional years, and this contract has a market review clause. The Company has a lease of laboratory and office space for R&D operations at the Bio21 Institute in Melbourne which extends through September 2008, that the Company intends to extend but there is no formal right to extend as of the date of this report. The Group also has a lease in the US for office space (Patrys Inc.) that extends to August of 2009, which is expected to be extended. The Group has a lease in Wurzburg Germany (Patrys GmbH), which extends through October of 2010, and is expected to be extended even further under a right to extend. Finally, Patrys has a lease to executive accommodations in Melbourne, Australia, which terminates November of 2008 but is expected to be extended. The Company does not have an option to purchase the respective properties covered by these leases.

Non-cancellable operating lease commitments

	Consolidated		Parent Entity	
	2008 $	2007 $	2008 $	2007 $
Not longer than 1 year	142,841	-	34,214	-
Longer than 1 year and not longer than 5 years	135,051	-	13,563	-
	277,892	**-**	**47,777**	**-**

Note 20: 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 debt, which includes the borrowings disclosed in note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 15, 16a and 16b 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 manufacturing and distribution assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

Gearing ratio

The Group's risk management committee reviews the capital structure on a semi-annual 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 the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at year end was as follows:

		Consolidated		Company	
	Note	2008 $	2007 $	2008 $	2007 $
Financial assets					
Debt (i)	14	(34,088)	(1,034,415)	(34,088)	(946,045)
Cash and cash equivalents	6	15,233,976	2,321,607	14,261,367	1,845,940
Net cash/(debt)		**15,199,888**	**1,287,192**	**14,227,279**	**899,895**
Equity (ii)		22,975,675	4,999,071	22,952,142	5,024,595
Net debt to equity ratio		-	-	-	-

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 13.
(ii) Equity includes all capital and reserves as detailed in note 16a.

(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.

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 do not have written policies regarding financial risk management, but is managed prudently by the Chief Financial Officer and the Audit and Risk Committee which meets once per quarter.

The consolidated and parent entity hold the following financial instruments:

(b) Financial risk management objectives (cont.)

		Consolidated		Company	
		2008 $	2007 $	2008 $	2007 $
Financial assets					
Cash and cash equivalents	6	15,233,976	2,321,607	14,261,367	1,845,940
Trade and other receivables	7, 11	956,711	38,798	2,035,579	334,556
Other financial assets	10	-	1,029,980	-	1,029,980
		16,190,687	**3,390,385**	**16,296,946**	**3,210,476**
Financial liabilities					
Trade and other payables	13	848,212	1,321,226	853,679	1,189,640
Borrowings	14	34,088	1,034,415	34,088	946,045
		882,300	**2,355,641**	**887,767**	**2,135,685**

(c) Market risk

The Group 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. The Group has maintained a substantial amount of its cash in US dollars to cover a portion of its anticipated US dollar expenditures. The Group also has exposure to movements in the Euro to Australian dollar exchange rate, and maintains Euro bank accounts to cover a portion of these anticipated Euro 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 dollars and Euro. The Group has maintained a US dollars and Euro bank accounts to cover a portion of its anticipated expenditures in the respective foreign currencies.

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

	30 June 2008		30 June 2007	
	USD	Euro	USD	Euro
Consolidated				
Financial Assets				
Cash and cash equivalents	4,902,468	355,275	274,324	114,979
Trade and other receivables	174,020	12,014	-	-
Financial liabilities				
Trade and other payables	283,181	114,126	460,575	388,141
Borrowings	-	-	825,000	-
Parent Entity				
Financial assets				
Cash and cash equivalents	4,527,238	-	25,248	-
Trade and other receivables	745,344	327,335	200,000	41,920
Financial liabilities				
Trade and other payables	482,934	7,000	460,575	305,097
Borrowings	-	-	750,000	-

NOTE 20: Financial Instruments (cont.)

(d) Foreign currency risk management (cont.)

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet 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. A positive number indicates an increase in profit and other equity. A negative number indicates a decrease in profit and other equity. At 30 June 2008, if foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, pre tax profit and equity would have been affected as follows:

Consolidated	-10%		+10%	
	Profit	Equity	Profit	Equity
30 June 2008				
Financial Assets				
Cash and cash equivalents	630,638	630,638	(515,977)	(515,977)
Trade and other receivables	22,277	22,277	(18,226)	(18,226)
Financial Liabilities				
Trade and other payables	(53,489)	(53,489)	43,763	43,763
Borrowings	-	-	-	-
Total Increase/(decrease)	**599,426**	**599,426**	**(490,440)**	**(490,440)**
30 June 2007				
Financial Assets				
Cash and cash equivalents	56,157	56,157	(45,947)	(45,947)
Trade and other receivables	-	-	-	-
Financial Liabilities				
Trade and other payables	(130,023)	(130,023)	106,383	106,383
Borrowings	(111,688)	(111,688)	91,381	91,381
Total Increase/(decrease)	**(185,554)**	**(185,554)**	**151,817**	**151,817**

Parent Entity	-10%		+10%	
	Profit	Equity	Profit	Equity
30 June 2008				
Financial Assets				
Cash and cash equivalents	522,571	522,571	(427,558)	(427,558)
Trade and other receivables	145,697	145,697	(119,207)	(119,207)
Financial Liabilities				
Trade and other payables	(57,020)	(57,020)	46,653	46,653
Borrowings	-	-	-	-
Total Increase/(decrease)	**611,248**	**611,248**	**(500,112)**	**(500,112)**
30 June 2007				
Financial Assets				
Cash and cash equivalents	3,305	3,305	(2,704)	(2,704)
Trade and other receivables	33,564	33,564	(27,462)	(27,462)
Financial Liabilities				
Trade and other payables	(115,748)	(115,748)	94,703	94,703
Borrowings	(101,534)	(101,534)	83,074	83,074
Total Increase/(decrease)	**(180,413)**	**(180,413)**	**147,611**	**147,611**

(e) Interest rate risk management

The Company's exposure to market interest rates relates primarily to the Company'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 have 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.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre tax profit and equity would have been affected as follows:

Consolidated	-10%		+10%	
	Profit	Equity	Profit	Equity
30 June 2008				
Financial assets				
Cash and cash equivalents	(74,732)	(74,732)	74,732	74,732
30 June 2007				
Financial assets				
Cash and cash equivalents	(11,319)	(11,319)	11,319	11,319

Parent Entity	-10%		+10%	
	Profit	Equity	Profit	Equity
30 June 2008				
Financial assets				
Cash and cash equivalents	(74,779)	(74,779)	74,779	74,779
30 June 2007				
Financial assets				
Cash and cash equivalents	(11,344)	(11,344)	11,338	11,338

(f) Liquidity risk

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

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

Financing arrangements

The company do not have access to any borrowing facilities at the reporting date.

Maturities of financial liabilities

The tables below analyse the parent entity and consolidated financial liabilities.

Parent Entity	6-12 months $	Between 1 and 2 years $	Total $
2008			
Financial liabilities			
Payables	853,679		853,679
Borrowings	9,158	24,930	34,088
Total Financial Liabilities	**862,837**	**24,930**	**887,767**
2007			
Financial liabilities			
Payables	1,189,640	-	1,189,640
Convertible note	946,045	-	946,045
Total Financial Liabilities	**2,135,685**	**-**	**2,135,685**

NOTE 20: Financial Instruments (cont.)

(f) Liquidity risk (cont.)

Consolidated	6-12 months $	Maturing 1 to 5 years $	Total $
2008			
Financial liabilities			
Payables	848,212		848,212
Borrowings	9,158	24,930	34,088
Total Financial Liabilities	**857,370**	**24,930**	**882,300**
2007			
Financial liabilities			
Payables	1,409,596	-	1,409,596
Convertible note	946,045	-	946,045
Total Financial Liabilities	**2,355,641**	**-**	**2,355,641**

All current balances mature within one year; all non-current balances mature in between one and five 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 company and group are not exposed to any material commodity price risk, 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 counterparty will default on its contractual obligations resulting in 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. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

As the Group is non-revenue generating it generally does have trade receivables. Its' receivables are mainly due from associates and subsidiaries (related parties). 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 21: Share based payments

(a) Employee Share Options

The Company has adopted an Executive Share Option Plan to foster an ownership culture within the Company and to motivate Directors, employees and consultants to achieve performance targets of the Company and the Group. Selected Directors, employees and consultants of the Company may be eligible to participate in the Plan at the absolute discretion of the Company's Board of Directors. Except as outlined in the remuneration report no options or shares will be issued under this Plan to any Directors without the prior approval of the Patrys shareholders.

The aggregate number of options which may be issued pursuant to the Plan and all other share purchase plans shall not at any time exceed 5% of the total number of issued shares of the Company. All grants of options are subject to the following general terms and conditions:

- option grants require approval by the Remuneration Committee
- options are granted under the plan for no consideration
- each share option converts into one ordinary share of Patrys Limited
- options carry neither rights to dividends nor voting rights.

The options are typically issued in two or three equal tranches, each tranche having an expiry date of five years after grant date. The first tranche typically vests on grant date, the second tranche on the anniversary of grant date, and the third tranche on the second anniversary of grant 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.

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

Options series				Fair value at grant date	
	Number	Grant date	Expiry date	Unit price	Amount
(1) Issued 11 January 2007	150,000	11/01/2007	11/01/2012	0.1476	22,139
(2) Issued 11 January 2007	150,000	11/01/2007	11/01/2013	0.1314	19,715
(3) Issued 29 May 2007	300,000	29/05/2007	29/05/2012	0.1498	44,937
(4) Issued 29 May 2007	300,000	29/05/2007	29/05/2013	0.1607	48,214
(5) Issued 29 May 2007	150,000	29/05/2007	29/05/2014	0.1764	26,464
(6) Issued 6 July 2007	250,000	06/07/2007	05/07/2012	0.2021	50,532
(7) Issued 6 July 2007	25,000	06/07/2007	05/07/2013	0.2692	6,730
(8) Issued 6 July 2007	250,000	06/07/2007	05/07/2013	0.2692	67,300
(9) Issued 6 July 2007	25,000	06/07/2007	05/07/2014	0.2754	6,886
(10) Issued 31 October 2007	245,000	31/10/2007	30/10/2012	0.2492	61,062
	1,845,000				**353,979**

The weighted average fair value of the share options granted during the financial year is $0.1919 (2007: $0.1538). 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 option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past year. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was two and half times the exercise price.

Note 21: Share based payments (cont.)

(a) Employee share options (cont.)

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

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year	1,050,000	0.4671	-	-
Granted during the financial year	795,000	0.2422	1,050,000	0.4671
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired curing the financial year	-	-	-	-
Balance at end of the financial year	1,845,000	0.4922	1,050,000	0.4671
Exercisable at end of the financial year	1,395,000	0.4836	450,000	0.4533

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year	Vested & Exercisable at the end of the year	Not Vested & Unexerciseable at the end of the year
			Number	Number	Number	Number	Number	Number	Number
11/01/2007	11/01/2012	0.46	150,000	-	-	-	150,000	150,000	-
11/01/2007	11/01/2013	0.56	150,000	-	-	-	150,000	150,000	-
29/05/2007	29/05/2012	0.45	300,000	-	-	-	300,000	300,000	-
29/05/2007	29/05/2013	0.45	300,000	-	-	-	300,000	300,000	-
29/05/2007	29/05/2014	0.45	150,000	-	-	-	150,000	-	150,000
06/07/2007	05/07/2012	0.46	-	250,000	-	-	250,000	125,000	125,000
06/07/2007	05/07/2013	0.46	-	25,000	-	-	25,000		25,000
06/07/2007	05/07/2013	0.56	-	250,000	-	-	250,000	125,000	125,000
06/07/2007	05/07/2014	0.56		25,000			25,000		25,000
31/10/2007	31/01/2013	0.56	-	245,000	-	-	245,000	245,000	-
			1,050,000	**795,000**	**-**	**-**	**1,845,000**	**1,395,000**	**450,000**
Weighted average exercise price			-	$0.52541	-	-	$0.49225	$0.4840	
Weighted average remaining contractual life				4.4 Years					
Options granted in the period ended 30 June 2007:									
11/01/2007	11/01/2012	0.46	-	150,000	-	-	150,000	150,000	
11/01/2007	11/01/2012	0.56	-	150,000	-	-	150,000		150,000
29/05/2007	29/05/2012	0.45	-	300,000	-	-	300,000	300,000	
29/05/2007	29/05/2013	0.45	-	300,000	-	-	300,000		300,000
29/05/2007	29/05/2014	0.45	-	150,000	-	-	150,000		150,000
			-	**1,050,000**	**-**	**-**	**1,050,000**	**450,000**	**600,000**
Weighted average exercise price			-	$0.4671	-	-	$0.4671	$0.4533	
Weighted average remaining contractual life				4.5 Years					

(b) Options granted under share purchase plan pre IPO

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, which options if not exercised will lapse.

Set out below are options granted under the plan

	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date	Exercise price	First exercise date	Last exercise date
				$	$		
Initial seed investors		4,595,851	31/03/07		0.45	13/01/2008	13/07/2012
Initial seed investors		4,595,852	31/03/07		0.45	13/07/2008	13/07/2012
Initial seed investors		7,627,163	31/03/07		0.80	13/01/2008	13/07/2012
Initial seed investors		7,627,164	31/03/07		0.80	13/07/2008	13/07/2012

Options granted carry no dividend or voting rights.

(c) Existing share-based payment arrangements

(i) The following share-based payment arrangements were in existence during the current reporting periods:

Grant date	Granted to	Granted No.	Exercised No.	Balance No.	First Vesting date	Expiry date	Exercise price $	Fair value $
31/03/2007	Seed investors	4,595,851	-	4,595,851	13/01/2008	13/07/2012	0.45	
31/03/2007	Seed investors	4,595,852	-	4,595,852	13/07/2008	13/07/2012	0.45	
31/03/2007	Seed investors	7,627,163	-	7,627,163	13/01/2008	13/07/2012	0.80	
31/03/2007	Seed investors	7,627,164	-	7,627,164	13/07/2008	13/07/2012	0.80	
29/05/2007	Director(s)	300,000	-	300,000	29/05/2007	29/05/2012	0.45	0.1804
29/05/2007	Director(s)	300,000	-	300,000	29/05/2008	29/05/2013	0.45	0.1992
29/05/2007	Director(s)	150,000	-	150,000	29/05/2009	29/05/2014	0.45	0.2162
11/01//2007	Employee(s)	150,000	-	150,000	11/01/2007	11/01/2012	0.46	0.1772
11/01/2007	Employee(s)	150,000	-	150,000	11/01/2008	11/01/2012	0.56	0.1532
06/07/2007	Employee(s)	250,000	-	250,000	06/07/2007	05/07/2012	0.46	0.2021
06/07/2007	Employee(s)	25,000	-	25,000	06/07/2008	05/07/2013	0.46	0.2692
06/07/2007	Employee(s)	250,000	-	250,000	06/07/2008	05/07/2013	0.56	0.2692
06/07/2007	Employee(s)	25,000	-	25,000	06/07/2009	05/07/2014	0.56	0.2754
31/10/2007	Employee(s)	603,500	-	603,500	30/01/2008	29/01/2013	0.56	0.2492
		26,649,530	**-**	**26,649,530**				

(ii) General terms and conditions attached to each series are as follows:

Options were issued to employees and consultants with the first tranche of 50% vesting on grant date with exercise price of $0.46 and the second tranche of 50% vesting on the first anniversary date with exercise price of $0.56. The options expire on the fifth anniversary of grant date.

Options were issued to directors with the first tranche of 40% vesting on grant date, the second tranche of 40% vesting on the first anniversary date, and the third tranche vesting on second anniversary date. The exercise price on all options is $0.45. Each option expires on the fifth anniversary of its vesting date.

(d) Fair values of share options

The fair value of all options granted above has been calculated using the Biinomial 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 also similar Companies. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was two times the exercise price. Given the Company has only been listed since 13 July 2007, the Prospectus offer price of $0.40 per share has been taken as representing the current market value of shares in Patrys as at the date of issue of the options.

Note 21: Share based payments (cont.)

Inputs into the model	Employees First Tranche	Employees Second Tranche	Directors First Tranche	Directors Second tranche	Directors Third Tranche
Current share price	$0.40	$0.40	$0.40	$0.40	$0.40
Exercise price	$0.46	$0.56	$0.45	$0.45	$0.45
Volatility	46%	46%	46%	46%	46%
Vesting conditions	11/01/2007	11/01/2008	29/05/2007	29/05/2008	29/05/2009
Time to maturity	5 years	5 years	5 years	6 years	7 years
Risk free rate of interest	6.07%	6.07%	6.15%	6.11%	6.11%
Expected dividend yield	-	-	-	-	-

(e) Share based payments

The amount expensed in relation to equity settled share based payments to the Profit & Loss Account was $287,235 (2007: $82,054).

Note 22: 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
John Read	Non Executive Chairman
Daniel Devine	Executive Director and Chief Executive Officer
Michael Stork	Non Executive Director
Alan Robertson	Non Executive Director
Paul Andrews	Vice President, Research and Development
Frank Hensel	Vice President, Development
Vic Ilag	Chief Operating Officer
Mike Conner	Vice President, Manufacturing
Kevin Hollingsworth	Company Secretary
Mary Sanderson	Chief Financial Officer

(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:

	30 June 2008 $	30 June 2007 $
Short-term employee benefits	1,605,881	381,763
Post-employment benefits	25,369	1,996
Equity-based payments	197,891	82,054
Total	**1,829,141**	**465,813**

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

Note 23: Related party transactions

(a) Equity interests in related parties

Details of interests in subsidiaries are disclosed in note 10 (b) to the financial statements.

(b) Transactions with key management personnel

(i) Key management personnel compensation

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

(ii) Key management personnel equity holdings

Options

2008	Balance at 1 July No.	Granted as compensation No.	Exercised 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	500,000	-	-	-	500,000	400,000	400,000	-
Daniel Devine	-	-	-	-	-	-	-	-
Michael Stork	-	-	-	-	-	-	-	-
Alan Robertson	250,000	-	-	-	250,000	200,000	200,000	-
Paul Andrews	300,000	-	-	-	300,000	300,000	300,000	-
Frank Hensel	-	250,000	-	-	250,000	125,000	125,000	-
Vic Ilag	-	250,000	-	-	250,000	125,000	125,000	-
Mike Conner	-	125,000	-	-	125,000	125,000	125,000	-
Kevin Hollingsworth	-	50,000	-	-	50,000	-	-	-
Mary Sanderson	-	120,000	-	-	120,000	120,000	120,000	-
Totals	**1,050,000**	**795,000**	**-**	**-**	**1,845,000**	**1,395,000**	**1,395,000**	**-**

Shareholdings

Fully paid ordinary shares held by key management personnel or their related parties:

2008	Balance at 1 July No.	Granted as. compensation No	Received on exercise of options No.	Net. change other No.	Balance at 30 June No.
John Read	250,000	-	-	-	250,000
Daniel Devine	14,327,272	-	-	-	14,327,272
Michael Stork	26,325,000*	-	-	-	26,325,000*
Alan Robertson	-	-	-	-	-
Paul Andrews	-	-	-	-	-
Frank Hensel	-	-	-	-	-
Vic Ilag	12,500	-	-	-	12,500
Mike Conner	-	-	-	-	-
Kevin Hollingsworth	-	-	-	-	-
Mary Sanderson					
Totals	**40,914,772**	**-**	**-**	**-**	**40,914,772**

* These shares are held by PNK Holdings Ltd. whose shares in turn are held by a related trust in which Michael Stork in his own right does not control.

Note 23: Related party transactions (cont.)

(c) Transactions with key management personnel (cont.)

(ii) Key management personnel equity holdings (cont.)

Options

2007	Balance at 1 July No.	Granted as compen-sation No.	Exercised No.	Net change other No.	Balance at 30 June No.	Total vested 30. June No	Vested. and exer-cisable No	Vested but not exer-cisable No.
John Read	-	500,000	-	500,000	500,000	200,000	200,000	-
Daniel Devine	-	-	-	-	-	-	-	-
Michael Stork	-	-	-	-	-	-	-	-
Alan Robertson	-	250,000	-	250,000	250,000	100,000	100,000	-
Paul Andrews	-	300,000	-	300,000	300,000	150,000	150,000	-
Frank Hensel	-	-	-	-	-	-	-	-
Vic Ilag	-	-	-	-	-	-	-	-
Kevin Hollingsworth	-	-	-	-	-	-	-	-

Shareholdings

Fully paid ordinary shares held by key management personnel or their related parties:

2007	Balance at 1 July No.	Granted as. compensation No	Received on exercise of options No.	Net. change other No.	Balance at 30 June No.
John Read	-	-	-	250,000	250,000
Daniel Devine	-	-	-	14,327,272	14,327,272
Michael Stork	-	-	-	26,325,000*	26,325,000
Alan Robertson	-	-	-	-	-
Paul Andrews	-	-	-	-	-
Frank Hensel	-	-	-	-	-
Vic Ilag	-	-	-	12,500	12,500
Kevin Hollingsworth	-	-	-	-	-

- These shares are held by PNK Holdings Ltd. whose shares in turn are held by a related trust in which Michael Stork in his own right does not control.

(d) Transactions with other related parties

Hollingsworth & Co. Pty. Ltd., being a company owned by Kevin Hollingsworth (Company Secretary), is contracted to provide certain accounting services to Patrys Limited. The fee paid for this accounting service was $202,514 for the year ended 30 June 2008 not including his remuneration disclosed in the Directors' Report as Company Secretary equal to $20,348.

Mr. Daniel Devine, Patrys Limited Executive Director and Chief Executive Officer, serves as Chairman of the Board for Acceptys, Inc., for which he receives fair market value consideration.

(e) Transaction with controlled entities

The parent entity has signed a research and development services agreement with Patrys GmbH (a wholly owned subsidiary) to reimburse the subsidiary its research and development expenses plus 5%. The amount expensed for the period to 30 June 2008 was AU$1,357,536 (2007 AU$313,720). An inter-company loan balance at 30 June 2008 of AU$536,967 (2007 AU$66,424) will be expensed during year ending 2009. This loan is non interest bearing and unsecured.

The parent entity has signed a research and development services agreement with Patrys Inc (a wholly owned subsidiary) to reimburse the subsidiary its research and development expenses plus 5%. The amount expensed for the period to 30 June 2008 was AU$1,583,915. An inter-company loan balance at 30 June 2008 of AU$593,522 will be expensed during year ending 2009. This loan is non interest bearing and unsecured.

(f) Any transactions with Associates to be disclosed

Daniel Devine receives compensation for serving as Chairman of Acceptys, Inc. Board of Directors.

Note 24: Segment information

(a) Description of segments

Total

The Company operates in two business segments, being commercialisation and investment in research and development companies.

Geographical segments

The Company predominantly operates in three geographical areas, being Australia, Germany and the USA.

(b) Primary reporting format – business segments

2008	Research & Development	Investment	Corporate	Total
Revenue from continuing operations	-	-	1,112,296	1,112,296
Result				
Segment result – continuing operations	(5,651,934)	(50,702)	(1,656,966)	(7,359,602)
Net loss after income tax expense	**(5,651,934)**	**(50,702)**	**(1,656,966)**	**(7,359,602)**
Segment assets	5,548,603	2,860,267	15,449,105	23,857,975
Segment liabilities	500,330	-	381,970	882,300
Acquisition of property, plant and equipment and intangible assets	1,432,721	-	65,811	1,498,532
Carrying value of investments (equity accounted)	-	2,860,267	-	2,860,267
Depreciation	57,025	-	3,789	60,814
Non-cash expenses other than depreciation				
Amortisation	250,261	-	-	250,261
Significant other non cash expenses (other than depreciation and amortisation)				
Share option expenses		-	287,235	287,235
Share of loss of equity accounted investments		50,702		50,702

2007	Research & Development	Investment	Corporate	Total
Revenue from continuing operations	-	-	59,880	59,880
Result				
Segment result – continuing operations	(784,905)	-	(864,211)	(1,649,116)
Net loss after income tax expense	**(784,905)**	**-**	**(864,211)**	**(1,649,116)**
Segment assets	3,617,061	1,029,980	2,707,671	7,354,712
Segment liabilities	832,821	-	1,522,820	2,355,641
Acquisition of property, plant and equipment and intangible assets	58,489	-	2,635	61,124
Carrying value of investments (available for sale)	-	1,029,980	-	1,029,980
Depreciation	2,216	-	132	2,348
Non-cash expenses other than depreciation				
Amortisation	-	-	50,439	50,439
Significant other non cash expenses (other than depreciation and amoritsation)				
Share option expenses	31,996	-	50,058	82,054

Note 24: Segment information (cont.)

(c) Secondary reporting format – geographical segments

	Australia	Germany	USA	Total
2008				
Segment revenues from sales to external customers	-	-	-	-
Segment assets	22,475,878	954,068	428,029	23,857,975
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	1,165,237	326,174	7,121	1,498,532
2007				
Segment revenues from sales to external customers	-	-	-	-
Segment assets	6,816,451	244,782	293,479	7,354,712
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	2,635	58,489	-	61,124

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and provision for service warranties. Segment assets and liabilities do not include income taxes.

Note 25: Events after balance sheet date

On 1 July 2008, the Directors approved a total of 1,540,000 unlisted options to be granted to employees and consultants as provided in the Employee Share Option Plan. There are no other matters or circumstance that has arisen since 30 June 2008 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.

Directors' declaration

The Directors of Patrys Limited declare that:

1. In the Directors' opinion the financial statements and notes on pages 42 to 72, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 25 to 31, are in accordance with the *Corporations Act 2001*, including: (a) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as disclosed in note 1.
3. The remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the *Corporations Act 2001* and the Corporations Regulations 2001; and
4. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2008, required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors dated the 30 day of September 2008.

Mr John Read
Director

Melbourne

Independent Auditor's report

Independent Auditor's Report to the members of Patrys Limited

We have audited the accompanying financial report of Patrys Limited which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Patrys Limited and the consolidated entity comprising Patrys Limited 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial statements and notes, 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 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*.

Tel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | www.pkf.com.au

PKF | ABN 83 236 985 726

Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia

GPO Box 5099 | Melbourne | Victoria 3001

Auditor's 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 company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and

(b) the company's and consolidated entity's financial statements and notes also comply with International Financial Reporting Standards, as disclosed in note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 31 of the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Patrys Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Acts 2001*.

PKF

PKF
Chartered Accountants

David Garvey

DJ Garvey
Partner

30 September 2008
Melbourne

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 Corporation Act 2001 as at 25 September 2008 are:

	Ordinary Shares
PNK Holdings Ltd	26,325,000
OncoMab GmbH	20,250,000
Mr Daniel Devine	14,327,272

B. Number of holders of equity securities and voting rights

	Ordinary Shares (i)	Share Options (ii)
Number of Holdings	590	85

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 29 August 2008:

No. of holders	Ordinary Shares	Options
1 - 1,000	16	-
1,001 - 5,000	82	2
5,001 - 10,000	54	10
10,001 - 100,000	350	33
100,001 and over	88	40
	590	**85**
Number of holders of less than a marketable parcel of shares	**0**	

D. Twenty largest holders of quoted securities

The names of the twenty largest shareholders of each class of equity security as at 25 September 2008 are listed below:

No.	Name	No. of shares Held	% of total shares
1.	PNK Holdings Ltd	26,325,000	17.22%
2.	OncoMab GmbH	20,250,000	13.25%
3.	Daniel Devine	14,327,272	9.37%
4.	J P Morgan Nominees Australia Limited	10,394,497	6.80%
5.	National Nominees Limited	9,783,617	6.40%
6.	AMP Life Limited	6,850,000	4.48%
7.	Takeda Research Investment Inc	4,471,000	2.93%
8.	Josaka Investment Pty Ltd	4,397,728	2.88%
9.	Invia Custodian Pty Ltd	4,300,000	2.81%
10.	Asia Pac Holdings Pty Ltd	4,288,840	2.81%
11.	Chessari Holdings Pty Ltd	4,288,840	2.81%
12.	Trailplus Pty Ltd	2,200,000	1.44%
13.	Thistle Custodians Pty Ltd	2,067,469	1.35%
14.	Sandhurst Trustees Ltd	1,302,876	0.85%
15.	Citicorp Nominees Pty Ltd	1,223,770	0.80%
16.	HSBC Custody Nominees (Australia) Limited	1,119,008	0.73%
17.	Cogent Nominees Pty Ltd	1,078,599	0.71%
18.	Queensland Investment Corporation	1,023,130	0.67%
19.	Citicorp Nominees Pty Ltd	1,000,000	0.65%
20.	Mrs Jacqueline Jacobi-Sharp	900,000	0.59%
		121,591,646	**79.55%**

E. Shares subject to restriction arrangements

The total number of shares subject to restriction arrangements are 63,345,205 shares and escrow period ends 13 July 2009.

Board of Directors

and Company particulars

Directors

John Read
Daniel Devine
Michael Stork
Alan Robertson

Secretary

Kevin Hollingsworth

Registered office

Level 2
517 Flinders Lane
MELBOURNE VIC 3000

Business address

Suite 614, Level 6
343 Little Collins Street
MELBOURNE VIC 3000

Auditors

PKF
Level 14
140 William Street
MELBOURNE VIC 3000

Solicitors

Middletons
Level 25
South Tower
525 Collins Street
MELBOURNE VIC 3000

Bankers

National Australia Bank Ltd
Level 1
406-408 Glenhuntly Road
ELSTERNWICK VIC 3185

Share registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067

Stock exchange listing

Australian Securities Exchange
(ASX Code: PAB)

Produced by Campbell Design Group www.cdgroup.biz

PATRYS LIMITED

Registered office

Patrys Limited
Level 2, 517 Flinders Lane
Melbourne VIC 3000

Business address

Patrys Limited
Suite 614, Level 6
343 Little Collins Street
Melbourne VIC 3000

www.patrys.com