Prospectus
PARADIGM
BIOPHARMACEUTICALS LIMITED
ACN 169 346 963

For the Offer to issue up to 28,571,429 Shares at an issue price of $0.35 per Share to raise a minimum of $10.0 million (with oversubscriptions up to a maximum of $13.5 million)

IMPORTANT INFORMATION:
This is an important document and it should be read in its entirety.
If after reading this Prospectus, you do not fully understand it or the rights attaching to the Shares offered by it, you should consult an accountant, solicitor or other professional advisor for assistance.
The Shares offered by this prospectus should be considered speculative.
Important Notices

LODGE AND ALLOTMENT OF SECURITIES
This Prospectus is dated 7 November 2014. A copy of this Prospectus was lodged with ASIC on 7 November 2014. Neither ASIC nor ASX or any of their officers, take any responsibility for the contents of this Prospectus. Investors can only apply for Shares using the Application Form included in this Prospectus. The Application Form must not be handed on to any member of the public unless it is attached to this Prospectus.

EXPIRY DATE
No applications for Shares will be accepted nor will any Shares be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

EXPOSURE PERIOD
In accordance with Chapter 6D of the Act, this Prospectus is subject to an exposure period of 7 days from the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC for a further period of 7 days. The purpose of the exposure period is to allow this Prospectus to be examined by market participants prior to the acceptance of the Applications. If this Prospectus is found to be deficient, Applications received during the exposure period will be dealt with in accordance with section 724 of the Act. Any Applications received prior to the expiration of the exposure period will not be processed until after the expiration of the exposure period.

No preference will be conferred on Applications received during the exposure period.

SPECIFIC RISKS AS AN EARLY STAGE BIOTECHNOLOGY COMPANY
Applicants should carefully consider the risk factors that affect the Company specifically and generally the biotechnology industry in which it operates. Applicants should note that a company seeking to develop and commercialise a new therapeutic product and obtain regulatory approval and then secure market acceptance/market penetration is a very high risk endeavour.

Applicants should understand that an investment in a company seeking to develop and market a new product is both speculative and subject to a wide range of risks. Applicants may lose the entire value of their investment.

Details of the risk factors of which investors should be aware are described in more detail in Section 8 of this Prospectus.

FORWARD LOOKING STATEMENTS
Various Statements in this Prospectus constitute statements relating to intentions, future acts and events. Such Statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or impliedly portrayed in this Prospectus.

Notwithstanding the above, to the extent that there may be matters discussed in this Prospectus that are forward looking, such statements are only predictions and actual events or results may differ materially.

DISCLAIMER
The Offer does not take into account the investment objectives, financial situation and particular needs of investors. It is important that investors read this Prospectus in its entirety before deciding to invest in the Company and, in particular, in considering the prospects for the Company, that they consider the risk factors that could affect the performance of the Company. Investors should carefully consider these factors in the light of their personal circumstances (including financial and taxation issues) and seek professional guidance from their stockbroker, solicitor, accountant or other professional adviser before deciding whether to invest. Some risk factors that investors should consider are outlined in Section 8.

No person is authorised to give any information or to make any representation in connection with the Offer and issue of the Shares described in this Prospectus, which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company in connection with the Offer.

Neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantee that any specific objective of the Company will be achieved or that any particular performance of the Company or of its Shares, including those offered by this Prospectus, will be achieved.

ELECTRONIC PROSPECTUS
This Prospectus will be issued in paper form and as an electronic prospectus, which may be viewed online at the Company’s website at www.paradigm.biopharma.com. The Offer is available to persons receiving an electronic version of this Prospectus in Australia. Applications can only be submitted on a paper Application Form accompanying this Prospectus or in its paper copy form downloaded in its entirety from www.paradigm.biopharma.com. The Act prohibits any person from passing the Application Form to another person, unless it is attached to, or accompanied by, a complete and unaltered version of this Prospectus. During the Offer period, any person may obtain a hard copy of this Prospectus free of charge by contacting the Share Registry by telephone on 1300 721 768.

PRIVACY
The Company collects information about each Applicant from the Application Form for the purposes of processing the Application and if the Application is successful to administer the Applicant’s shareholding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company’s related bodies corporate, agents, contractors and third party service providers including mailing house, ASIC and other regulatory authorities.

If an applicant becomes a shareholder in the Company, the Company is required to include information about the shareholder’s (name, address and details of shareholding) in its public register, this information must remain in the register even if that person ceases to be a shareholder in the Company. Information contained in the Company’s registers is also used to facilitate dividends payments and corporate communications (including the Company’s financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

Under the Privacy Act 1988 (Cth) you may require access to your personal information that is held by or on behalf of the Company and/or Share Registry. You can request access to your personal information and correction of any such information. Any failure of the Company’s privacy policies by contacting the Company or the Offer Information Line, details of which are set out elsewhere in this Prospectus. If an Applicant does not provide the information required on the Application Form, the Company may not be able to accept or process the Applicant’s Application Form.

DEFINED TERMS AND ABBREVIATIONS
Terms and abbreviations used in this Prospectus are defined in Section 11. All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

PHOTOGRAPHS AND DIAGRAMS
Photographs used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses this Prospectus or that assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in graphs, charts and tables is based on information available as at the date of this Prospectus.

JURISDICTION
This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. This Prospectus has not been, and will not be, lodged, filed or registered with any regulatory authority under the securities laws of any country other than Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and any person into whose possession this Prospectus comes should seek advice on the observance of any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

IF YOU HAVE ANY QUESTIONS
If after reading this Prospectus, you do not fully understand it or the rights attaching to the Shares offered by it, you should consult an accountant, solicitor or other professional advisor for assistance. The Company is unable to advise Applicants on the suitability or otherwise of an investment in the Company.
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Key Offer Information

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<td>Prospectus lodged with ASIC</td>
<td>7 November 2014</td>
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<td>Exposure Period Expires</td>
<td>14 November 2014</td>
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<td>Opening Date</td>
<td>17 November 2014</td>
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<td>Closing Date</td>
<td>12 December 2014</td>
</tr>
<tr>
<td>Expected date for allocation of Paradigm Shares</td>
<td>19 December 2014</td>
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</tbody>
</table>

*The Directors reserve the right to vary the Offer dates and to extend the Issue or to close it at an earlier date. The above dates are indicative only.*
Message from the Chairman

Dear Investor,

I have pleasure in presenting this Prospectus and offering you the opportunity to become a shareholder in Paradigm Biopharmaceuticals Limited ACN 169 346 963 (Paradigm).

Paradigm is a drug repurposing company. Drug repurposing is an approach of taking an existing approved drug which has demonstrated safety in its approved indication/s and repurposing that drug in a new patented therapeutic application. In that way, a drug repurposing company seeks a shorter pathway to regulatory approval for the re-positioned drug.

Our execution of this strategy is driven by our core competencies at both board and executive level in the pharmaceutical compound pentosan polysulphate sodium (PPS) and experience in clinical development and commercialization of pharmaceuticals. Our immediate commercial focus is on the drug repurposing of PPS for the treatment of painful bone marrow edema (BME). BME (commonly referred to as bruising within the bone) is a clinical condition that presently has no registered therapeutic options and if untreated can be associated with long term negative health consequences for the patient (including pain, disability and a greater likelihood of progression to osteoarthritis).

The Company also has access to a pipeline of additional indications for PPS building on the Company’s strategic insights into the use of PPS in novel therapeutic applications addressing unmet clinical needs. Paradigm has intellectual property rights covering the use of PPS in BME and certain respiratory diseases, including asthma and rhinitis.

This Prospectus highlights the intellectual property owned by the Company and its potential portfolio of products. The main risk factors associated with an investment pursuant to this Prospectus are highlighted in Section 8.

On behalf of the Directors, I recommend this Offer to you and look forward to your support and participation as a shareholder.

Yours faithfully

Mr Graeme Kaufman
Non-Executive Chairman
1. Investment Overview
PARADIGM BIOPHARMACEUTICALS PROSPECTUS

A. INTRODUCTION

Who is Paradigm?
Paradigm is a biopharmaceutical company focused on repurposing the drug, pentosan polysulphate sodium (PPS) for the lead clinical indication of bone marrow edema (BME).

What is the Offer Price and total to be raised?
The Offer Price is $0.35 per Share with a minimum of $10 million (Minimum Subscription) and acceptances of oversubscriptions of a further of $3.5 million (Oversubscriptions).

Capital structure

<table>
<thead>
<tr>
<th>CAPITAL STRUCTURE FOLLOWING THE OFFER</th>
<th>BASED ON MINIMUM SUBSCRIPTION OF $10 MILLION</th>
<th>BASED ON MAXIMUM SUBSCRIPTION OF $13.5 MILLION</th>
</tr>
</thead>
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<tr>
<td>Shares held by Existing shareholders</td>
<td>51,800,000</td>
<td>51,800,000</td>
</tr>
<tr>
<td>New shares issued</td>
<td>28,571,429</td>
<td>38,571,429</td>
</tr>
<tr>
<td>Total number of Shares on completion of the Offer</td>
<td>80,371,429</td>
<td>90,371,429</td>
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</tbody>
</table>

What is the purpose of the Offer and how will the proceeds of the Offer be used?
The primary purpose of the Offer is to raise funds to:
- support the Company’s Expenditure Program;
- achieve listing on the ASX, to broaden the shareholder base and provide a market for the Shares;
- to pay the expenses of the Offer; and
- to provide working capital.

Use of funds

It is intended that the funds raised under this Offer will be used as summarised in the table below:

<table>
<thead>
<tr>
<th>USE OF FUNDS*</th>
<th>MINIMUM SUBSCRIPTION $10M</th>
<th>MAXIMUM SUBSCRIPTION $13.5M</th>
</tr>
</thead>
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<tr>
<td>Clinical, regulatory and implementation of proposed Phase 2 BME trial</td>
<td>$5,845,750</td>
<td>$5,845,750</td>
</tr>
<tr>
<td>Clinical, regulatory and implementation of Phase 3 BME trial</td>
<td>–</td>
<td>$2,144,250</td>
</tr>
<tr>
<td>IP &amp; Research &amp; Development</td>
<td>$950,000</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>Working Capital</td>
<td>$2,290,858</td>
<td>$2,986,608</td>
</tr>
<tr>
<td>Expenses of the Offer</td>
<td>$913,392</td>
<td>$1,123,392</td>
</tr>
<tr>
<td>TOTAL</td>
<td><strong>$10,000,000</strong></td>
<td><strong>$13,500,000</strong></td>
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</table>

* Note: This anticipated expenditure program may vary from the actual expenditure, reflecting the results of preclinical and clinical work as they come to hand.

Expenditure program
Based on the minimum capital raising, Paradigm intends to undertake a program of work described in its Expenditure Program over a 24-month period commencing from the date of Listing as outlined in the table above.

Section 3.1
Section 3.14

WHERE TO FIND MORE INFORMATION

WHERE TO FIND MORE INFORMATION

WHERE TO FIND MORE INFORMATION
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<td>A. INTRODUCTION</td>
<td></td>
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<tr>
<td>Working capital</td>
<td>On completion of the capital raising under this Prospectus, Paradigm will have sufficient working capital to carry out its objectives (as detailed in this Prospectus).</td>
<td>-</td>
</tr>
<tr>
<td>Dividend policy</td>
<td>The Directors do not envisage that the Company will earn any material revenue or be in a position to declare any dividends in the foreseeable future. The financial prospects of the Company are dependent on a number of factors, including without limitation successfully completing its product development, successfully meeting primary endpoints in its clinical trials, regulatory clearance and marketing approvals and even where the clinical trials are successfully completed, market penetration of its lead products. There is no guarantee that the Company’s development work will result in a commercial product. In the light of these factors and having regard to ASIC Regulatory Guide 170, the Directors consider at this stage the Company is unable to provide potential investors with reliable revenue, profit or cash flow projections or forecasts. An investment in human drug therapeutics is a long term investment, with long development time frames and NO dividends should be expected in the short term.</td>
<td>-</td>
</tr>
<tr>
<td>Taxation considerations</td>
<td>The tax treatment and consequences of the Offer will vary depending on the particular circumstances of the Applicant. The Company accepts no liability or responsibility in relation to any taxation consequences connected to the Offer. Therefore regarding the appropriate tax treatment that applies to the Offer, it is the responsibility of any Applicant who makes an Application to satisfy themselves by consulting their own professional tax advisors prior to investing in the Company.</td>
<td>Section 9</td>
</tr>
<tr>
<td>ASX listing application</td>
<td>Not later than 7 days after the date of this Prospectus, application will be made to the ASX for Paradigm to be admitted to the Official List of the ASX and for the Official Quotation of the Shares. The fact that the ASX may admit Paradigm to its Official List is not to be taken in any way as an indication of the value or merits of Paradigm or of the Shares offered under this Prospectus. Official Quotation, if granted, will commence as soon as practicable after the issue of Transaction Holding Statements to successful Applicants. If permission for quotation of the Shares is not granted within 3 months after the date of this Prospectus, all Application money will be refunded without interest.</td>
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### B. KEY STRENGTHS AND OPPORTUNITIES

<table>
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<th>Details</th>
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<tr>
<td><strong>Strategy</strong></td>
<td>Paradigm’s commercial strategy is based on “drug repurposing” with its initial focus on PPS for the treatment of painful BME. The secondary focus is on treating certain respiratory diseases also utilising PPS and thirdly in generating new intellectual property for novel clinical indications using PPS.</td>
<td>Section 3</td>
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<tr>
<td><strong>Unmet medical needs</strong></td>
<td>Currently there is no effective treatment for BME other than rest, analgesics and allowing sufficient time for the injury/bruising to dissipate. However BME is a painful condition and can last for up to 12 months. Unresolved BME is considered a potent risk factor for developing osteoarthritis. Published scientific papers indicate PPS has a number of pharmaceutical mechanisms of action.</td>
<td>Section 2.4</td>
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<tr>
<td><strong>Benefits of using PPS</strong></td>
<td>Drug development is generally very risky and has a high failure rate. Compounds often fail because they are shown to be unsafe or that they don’t work. Anticipated advantages for Paradigm include that it is using an existing internationally approved drug (PPS), the Company has secured a cGMP supply of PPS (as outlined below), the clinical safety risks may be reduced and PPS is an extensively researched molecule (with known mechanism of action).</td>
<td>Section 2.1, 2.2 and 3.4</td>
</tr>
<tr>
<td><strong>Market Size</strong></td>
<td>In considering market size for treating BME (a primary focus of the Expenditure Program), the Company has had to reference the incidence and prevalence of people who have osteoarthritis with a history of joint trauma i.e. post traumatic osteoarthritis (PTOA). 12% or more of all patients with lower extremity osteoarthritis (OA) have a history of prior joint injury (ligament strain/rupture, meniscal tear or joint surface injuries). The number of patients, in the USA, with disabling PTOA of the hip, knee or ankle approaches 6 million and accounts for approximately 12% of annual expenditures for OA (i.e. about 3 billion US dollars per year or approximately 0.15% of the total U.S. health care direct cost outlay). Asthma (which is a secondary focus of the Expenditure Program) of itself represents a large unmet medical need. The asthma prescription market was $21.6 billion in 2011, but despite the many therapies available, the economic cost of treating asthma still remains significant. Asthma costs the United States more than $30 billion every year. These costs include the direct expenditure of treating asthma.</td>
<td>Section 2.5</td>
</tr>
<tr>
<td><strong>Long term supply of cGMP product</strong></td>
<td>The Company has entered into a long term supply agreement with the German Pharmaceutical Company, bene pharmaChem, for the supply of FDA-approved cGMP-grade PPS. This is anticipated to overcome potential manufacturing and scale-up issues and is aimed at ensuring the clinical trials are conducted using PPS with the same pharmaceutical activities as would be available in commercial quantities.</td>
<td>Section 3.12 and 10.8</td>
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### B. KEY STRENGTHS AND OPPORTUNITIES

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<td>Anticipated expedited clinical trials</td>
<td>Paradigm has entered into a long term supply agreement with bene pharmaChem. Paradigm will source its PPS from a cGMP production facility (owned by bene pharmaChem) which is audited by the US FDA. Paradigm, under its agreement with bene pharmaChem, has been granted a ‘Right of Reference’ to the bene pharmaChem drug master file (DMF) and other preclinical and clinical safety data. This data is anticipated to allow Paradigm (i) to expedite commencement of the clinical trials which are the subject of the Expenditure Program under this Prospectus; and (ii) to file a new drug application (NDA) with regulatory authorities relying on previously published safety data and bene pharmaChem’s DMF. There is of course no guarantee that regulatory agencies will accept that safety data in the DMF or they may require additional safety data before approving commencement of any clinical trials. Furthermore, the safety data in the DMF only forms one part of the dossier necessary for submission to the relevant regulatory bodies for commencement of a clinical trial.</td>
<td>Section 10.8</td>
</tr>
<tr>
<td>Experienced executive team</td>
<td>The executive team lead by Managing Director Paul Rennie is experienced in clinical trial and drug development. Paul has worked in the industry for in excess of 20 years (most recently at Mesoblast Ltd). Professor Peter Ghosh Chief Scientific Officer also has over 30 years’ experience researching PPS and is the author of over 60 scientific papers on PPS. The Chairman of the Board Mr. Graeme Kaufman has over 30 years’ experience, including a period as Chief Financial Officer of CSL Ltd.</td>
<td>Section 3.2 and 4</td>
</tr>
<tr>
<td>Other potential applications – respiratory diseases</td>
<td>In addition to BME (which is the Company’s primary focus), the Company has a number of patent applications using PPS for potential future products in certain respiratory diseases (including allergic asthma, allergic rhinitis and chronic obstructive pulmonary disease COPD).</td>
<td>Section 3.5, 3.8 to 3.10</td>
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### C. KEY RISK FACTORS

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</thead>
<tbody>
<tr>
<td>Risk of future funding requirements</td>
<td>Paradigm has limited financial resources and will need to raise additional funds from time to time. In certain circumstances, the Company’s ability to successfully operate may be subject to its ability to raise funds that will be subject to factors beyond the control of the Company and its Directors (including and without limitation to cyclical factors affecting the economy and financial and share markets generally).</td>
<td>Section 8(a)</td>
</tr>
<tr>
<td>Supply of cGMP product</td>
<td>While the Company has entered into a long term supply agreement with bene pharmaChem for the supply of PPS to Paradigm, that agreement is only for an initial term of 10 years with an option for Paradigm to extend for a further 10 years provided that within the first 10 years Paradigm has obtained regulatory approval for the sale of a product incorporating PPS. Further, there is a risk that Paradigm may not receive sufficient supply of PPS from bene pharmaChem. In these circumstances Paradigm would need to source equivalent PPS from a third party supplier and demonstrate that this new supply of PPS has the same pharmaceutical activity as the PPS which is the subject of the bene pharmaChem drug master file. Failure to obtain an alternative supply or the inability to satisfy bio equivalence for that alternative supply could materially adversely impact on the Company’s development program outlined in this prospectus.</td>
<td>Section 3.12, 8(b) and 10.8</td>
</tr>
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<td>TOPIC</td>
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</tr>
<tr>
<td>Speculative nature of investment</td>
<td>The Shares to be issued pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Paradigm does not produce any current revenue and applies its cash reserves to the development of its technology. The success of Paradigm is largely dependent on the results of that development and the outcome of its proposed human clinical trials. An investment in its Shares should therefore be considered very speculative.</td>
<td>Section 8(c)</td>
</tr>
<tr>
<td>Early clinical state of development</td>
<td>The Company’s product candidates are at a relatively early clinical stage and further clinical development is necessary beyond the clinical trials contemplated under the Expenditure Program. If the Company’s product candidates are ultimately shown to be ineffective for therapeutic purposes, the Company’s business, value of its technology and resulting value of its Shares may be materially harmed.</td>
<td>Section 8(d)</td>
</tr>
<tr>
<td>Expenditure Program</td>
<td>Paradigm has not entered into contracts for a number of the material items covered by the Expenditure Program, nor does it have binding quotations in relation to such items. Rather the Directors have determined that following the successful close of the Offer, Paradigm will be well positioned to negotiate the exact terms for such contracts. It is possible that actual expenditure may be more than estimated by the Company in its anticipated Expenditure Program. This could, depending on the difference in actual costs incurred, require the Company to seek to raise additional funding. The Directors and management have relevant industry experience and have prepared the anticipated Expenditure Program based partly on discussions with or indicative quotes obtained from potential suppliers of those services and their own experience of the likely costs for those expenditure items. While the Directors are confident Paradigm will be able to source suitable suppliers, there is a risk that Paradigm may not be able to source those suppliers at the estimated expenditure in the Expenditure Program.</td>
<td>Section 8(e)</td>
</tr>
<tr>
<td>Regulatory requirements</td>
<td>Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. A risk exists that the new product candidates may not satisfy regulatory requirements and ultimately not gain approval, or that the approval process may take much longer than expected. As a result Paradigm may fail to commercialise or out-license any products.</td>
<td>Section 8(f)</td>
</tr>
<tr>
<td>Key personnel</td>
<td>Paradigm currently employs or engages as consultants, a number of key members of its management and scientific team. The loss of any of these people’s services could materially and adversely affect the Company and may impede the achievements of its research, product development and commercialisation objectives. The successful development of the Company will require the services of additional staff. There can be no assurance that the Company will be able to attract appropriate additional staff and this may adversely affect the Company’s prospects for success.</td>
<td>Section 8(g)</td>
</tr>
<tr>
<td>Intellectual property</td>
<td>There is no guarantee that the Company’s intellectual property comprise all of the rights that the Company may require to freely commercialise its products. Further, there may be a legal challenge to that intellectual property; or some or all of the Company’s patent applications may not be accepted by the Patent’s Office.</td>
<td>Section 8(i), (j) and (k)</td>
</tr>
<tr>
<td>TOPIC</td>
<td>DETAILS</td>
<td>WHERE TO FIND MORE INFORMATION</td>
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<tr>
<td><strong>C. KEY RISK FACTORS</strong></td>
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<tr>
<td>No independent valuation</td>
<td>No independent valuation of the Company’s intellectual property or generally the Company’s Shares has been carried out for the purposes of this Prospectus.</td>
<td>Section 8, see page 53</td>
</tr>
<tr>
<td><strong>D. SUMMARY OF THE OFFER</strong></td>
<td></td>
<td></td>
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<tr>
<td>Opening and closing of the Offer</td>
<td>Applications may be lodged at any time after the Opening Date until 5.00 pm (AEST) on the Closing Date.</td>
<td>See page 2</td>
</tr>
<tr>
<td>Minimum subscription</td>
<td>Paradigm has determined that the minimum amount to be raised under this Prospectus is $10 million (being 28,571,429 Shares). If this minimum amount is not raised within 3 months from the date of this Prospectus, all Application money will be refunded in full (without interest).</td>
<td></td>
</tr>
<tr>
<td>Allocation policy</td>
<td>The Company reserves the right to authorise the issue of a lesser number of Shares than those for which an Application has been made or to reject any Application. Where no issue or allocation is made or the number of Shares issued is less than the number applied for, surplus Application money will be refunded without interest. If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Company’s decision as to whether to treat an Application as valid, and how to construe, amend or complete it, will be final. The Company’s decision on the number of Shares to be allocated to an Applicant will also be final.</td>
<td></td>
</tr>
<tr>
<td>What are the costs of the Offer?</td>
<td>The estimated maximum costs of the Offer are estimated at approximately $1,123,392 (exclusive of any applicable GST) based on the maximum raising under this Prospectus. These costs will be paid by the Company out of the proceeds of the Offer and existing cash reserves.</td>
<td>Section 10.14</td>
</tr>
<tr>
<td>Are there additional costs payable by Applicant?</td>
<td>No brokerage, commission, stamp duty or any other costs are payable by Applicants on acquisition of the Shares under the Offer.</td>
<td></td>
</tr>
<tr>
<td><strong>E. PARADIGM’S DIRECTORS</strong></td>
<td></td>
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</tbody>
</table>
| Who are the directors of Paradigm? | Mr Graeme Kaufman, Non-Executive Chairman  
Mr Paul Rennie, Managing Director  
Mr Christopher Fullerton, Non-Executive Director  
Mr John Gaffney, Non-Executive Director | Section 4.1 |
<p>| Interests of the Directors or related parties in Paradigm? | As at the date of this Prospectus, and after the completion of the Offer, the interests of the Directors of Paradigm (both direct and indirect) in Paradigm Securities is outlined in Section 10.12. | Section 10.12 |</p>
<table>
<thead>
<tr>
<th>TOPIC</th>
<th>DETAILS</th>
</tr>
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<tbody>
<tr>
<td>F. APPLICATIONS</td>
<td></td>
</tr>
<tr>
<td>How do I apply for Shares?</td>
<td>By completing and submitting a valid Application Form accompanying this Prospectus. All Application money will be held on trust in a separate bank account that has been opened only for this purpose until the Shares to be issued in respect of the Offer are issued, or the Application money is refunded to the unsuccessful Applicants. Applications must be for at least 5,715 Shares at an aggregate subscription price of $2,000.25 or a greater number in multiples of 1,000 Shares at an additional subscription price of $350.00 for each additional 1,000 Shares. The Offer Price of $0.35 per Share is payable in full on Application. Cheques must be in Australian currency and made payable to “Paradigm Biopharmaceuticals Limited – Share Subscription Account” and crossed “Not Negotiable”.</td>
</tr>
<tr>
<td>Lodgement of Applications</td>
<td>Applicants should return their completed Application Forms together with their cheque for the Application money to: Paradigm Biopharmaceuticals Limited Share Offer c/- Computershare Investor Services Pty Limited GPO BOX 52 Melbourne VIC 3001 All Application money will be held on trust in a separate bank account that has been opened only for this purpose until the Shares are issued and allotted under the Offer or the Application money is returned to the Applicants.</td>
</tr>
<tr>
<td>Where can I find more information about this Prospectus or the Offer?</td>
<td>Further information can be obtained by reading this Prospectus in its entirety. For advice on the Offer you should speak to your stockbroker, accountant or other professional adviser. If you require assistance or additional copies of this Prospectus please contact the Share Registry on 1300 721 768 (within Australia) or +61 3 9415 4291 (outside Australia).</td>
</tr>
</tbody>
</table>
2. General Industry Overview
2. General Industry Overview

2.1 Benefits of drug repurposing vs de novo drug discovery

Drug repurposing is defined as identifying and developing new uses for existing drugs. It has three anticipated key advantages when compared to new drug (de novo) development:

1. The drug development cycle times are generally much shorter;
2. The development costs are expected to be less; and
3. The success rates can be higher.

De novo drug discovery and development
11–18 year process | <10% overall probability of success

<table>
<thead>
<tr>
<th>Target Discovery</th>
<th>Discovery &amp; screening</th>
<th>Lead optimization</th>
<th>ADMET</th>
<th>Development</th>
<th>Registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discovery</td>
<td>Screening</td>
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<tr>
<td>&gt; Expression analysis</td>
<td>&gt; Traditional medicinal chemistry</td>
<td>&gt; Traditional medicinal chemistry</td>
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<tr>
<td>&gt; In vitro function</td>
<td>&gt; Combinatorial chemistry</td>
<td>&gt; Bioavailability and systemic exposure (absorption clearance and distribution)</td>
<td></td>
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<tr>
<td>&gt; In vivo validation; e.g. knockouts</td>
<td>&gt; Rational based drug design</td>
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<tr>
<td>&gt; Bioinformatics</td>
<td>&gt; Ex vivo and in vivo</td>
<td>&gt; Must start clinical testing as Phase I (Phase III for cancer)</td>
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<td></td>
<td>&gt; High throughput</td>
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<td>2–3 yrs.</td>
<td>0.5–1 yrs.</td>
<td>1–2 yrs.</td>
<td>5–7 yrs.</td>
<td>2–3 yrs.</td>
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</table>

Drug repositioning
3–10 year process | reduced safety and pharmacokinetic uncertainty

<table>
<thead>
<tr>
<th>Compound Identification</th>
<th>Compound acquisition</th>
<th>Development</th>
<th>Registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; Targeted searches</td>
<td>&gt; Licensing</td>
<td>&gt; Can start at Phase I or Phase II stages</td>
<td>&gt; United States (FDA)</td>
</tr>
<tr>
<td>&gt; Novel insights</td>
<td>&gt; Novel IP</td>
<td>&gt; Ability to leverage existing data packages</td>
<td>&gt; Europe (EMEA or country by country</td>
</tr>
<tr>
<td>&gt; Specialized screening platforms</td>
<td>&gt; Both licensing and novel IP</td>
<td>&gt; Manufacturing complete</td>
<td>&gt; Japan (MHLW)</td>
</tr>
<tr>
<td>&gt; Serendipity</td>
<td>&gt; Internal sources</td>
<td>&gt; Rest of world</td>
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<tr>
<td>1-2 yrs.</td>
<td>0-2 yrs.</td>
<td>2-3 yrs.</td>
<td>2-3 yrs.</td>
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</table>

For most repurposed drugs, following a Phase 2 trial, a single positive pivotal trial will be sufficient for regulatory clearance and marketing approval utilising the FDA’s 505(b)(2) (US Federal Food, Drug and Cosmetic Act of 1938) regulatory pathway in the USA. Obviously, this could significantly reduce time and financial resources in the development process.

The 505(b)(2) pathway is generally open to companies for which the compound they are developing has already been granted approval as a New Chemical Entity (NCE), but for which data exclusivity period has expired. In addition to a reduced clinical trial burden, this pathway also allows data collected on the compound by other drug developers, as well as that published in peer-reviewed journals to be used in support of the company’s ultimate marketing application.

New Drug Application (NDA) section 505(b)(2) is a NDA that contains full reports of investigation of safety and efficacy but where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference. Therefore this provision expressly permits the FDA to rely, for approval of a NDA, on data not developed by the applicant.
2. General Industry Overview

2.2 Regulatory status of PPS
Injectable PPS has been on the German market since 1949. The approved indications for injectable PPS include prevention of thromboembolism and treatment of acute blood vessel occlusions. Paradigm intends to utilise injectable PPS in its proposed BME clinical trial.

The oral form of PPS is approved by the TGA in Australia and the FDA in the USA and marketed there by Janssen Pharmaceuticals (a subsidiary of Johnson & Johnson) under the brand name Elmiron® for the treatment of the bladder condition interstitial cystitis.

Currently injectable PPS is not approved for human use in Australia. However, injectable PPS is approved for use in numerous other countries, including four of the seven major pharmaceutical markets – Germany, France, Italy and Spain.

2.3 Bone marrow edema (BME)
BME is a complex disorder causing excess fluid build-up inside the bone. BME typically occurs at the end of long bones adjacent to the cartilage of the hip, knee or ankle joints. BME (commonly referred to as bone bruising or bone marrow lesions) is a very painful condition and if untreated can be associated with negative long term health consequences for the patient’s affected joint – including progression to osteoarthritis.

Over the last decade the increased use of magnetic resonance imaging (MRI) for musculoskeletal injuries has alerted clinicians to the existence of BME, a clinical condition previously undetected by conventional radiographic techniques (X-Rays).

BME is now considered as a distinct clinical condition that is normally associated with:

> Constant bone pain;
> Functional disability;
> Quality of life issues; and
> Poor long-term prognosis for the affected joint.

BME was considered to be a self-limiting disease with remission of symptoms occurring between 9 and 12 months. Recent studies have highlighted BME as a potent risk factor of osteoarthritis.

On a MRI scan, BME can be seen as an abnormality under the surface of the bone particularly in joints presenting with osteoarthritis or at the location adjacent to significant ligament or meniscus tears or bone contusions (for example in sporting injuries and accidents).

Figure below is a T1 weighted MRI scan of a knee joint with the BME highlighted by the arrows.
2.4 Current standard of care to treat BME

BME is characterised by an increase in fluid inside the bone (inflammatory response) accompanied by micro-fractures of the surrounding bone. The increased fluid leads to a build-up of pressure and together with the chemicals released by the injured cells are the causes of the intense pain. The two standard first line treatments are (i) rest, reduced weight bearing, immobilisation of the affected joint along with physiotherapy and (ii) analgesic drugs i.e. non-steroidal-anti-inflammatory drugs (NSAIDs). In some cases, additional treatments maybe used such as steroid-based anti-inflammatory drugs and/or, intra-articular (inside the knee joint) injection of corticosteroids. In extreme cases a surgical procedure, core decompression, is used to drain the excess fluid from the bone.

While use of analgesics or NSAIDs are often prescribed to treat the pain caused by the BME, they do not treat the underlying cause of BME.

A review of the literature indicates that NSAIDs and corticosteroids, in particular, may have negative effects on the metabolism of cartilage and bone and repeated use of such medications should be contra-indicated as they could hinder the natural tissue healing process.

To date, all current treatment options are largely aimed at relieving the symptoms of BME, but fail to resolve the underlying pathology of BME.

2.5 The market generally for BME

Currently there are no pharmaceutical products registered to treat BME or its underlying cause. BME has only recently been capable of identification with increased use of MRIs. As there are no approved treatments for BME, it is difficult to put hard numbers to its incidence, as the market for BME is still developing and has not been the subject of detailed reporting by clinicians.

Nevertheless in terms of market size it is clear that BME is a common medical problem worldwide that may arise from a wide variety of traumatic (mechanical) and to a lesser extent non-traumatic causes:

> Traumatic – By far the most frequent cause of BME arises from acute joint injuries including sporting injuries, car accidents or accidental falls leading to bruising within the subchondral bone (bone under the cartilage of a joint such as knee, hip or ankle).
2. General Industry Overview

- **Non traumatic** — bone bruising without an obvious traumatic event. For example, in rheumatoid arthritis, edema (fluid build-up) inside the bone is commonly observed. Bone marrow edema is a signal of disease progression (rheumatoid arthritis), a marker of poor prognosis predicting joint damage and bone erosion.

One way to assess the market size for treating BME is by the incidence of some common acute traumatic injuries. Following are only two examples of such acute traumatic injuries from which market size may be estimated. In both cases, 80% of these injuries are associated with BME:

- Anterior cruciate ligament (ACL) injuries in the USA has an incidence rate of 40 ACL reconstructions per 100,000 people per year, equating to approximately 100,000 ACL reconstructions a year; and
- Tear of the meniscal cartilage in the knee in the USA has an incidence rate of 90 meniscal tears per 100,000 people per year, equating to approximately 300,000 meniscal injuries repaired a year.

Another way to assess the market size, for treating BME, is by the incidence and prevalence of people who have osteoarthritis with a history of joint trauma i.e. post traumatic osteoarthritis (PTOA). 12% or more of all patients with lower extremity osteoarthritis (OA) have a history of joint injury (ligament strain/rupture, meniscal tear or joint surface injuries). The number of patients, in the USA, with disabling PTOA of the hip, knee or ankle approaches 6 million and accounts for approximately 12% of annual expenditures for OA i.e. about 3 billion US dollars per year or approximately 0.15% of the total U.S. health care direct cost outlay.

2.6 Commercial pharmaceutical company interest in BME

Vasoactive drugs and drugs blocking bone turnover (bisphosphonates) are being evaluated for treating BME. Bayer Schering’s (Berlin, Germany) drug Ventavis® (Iloprost) has been used in at least 3 pilot clinical trials investigating the safety and efficacy in patients with painful traumatic BME of the knee and/or ankle.

Roche’s (Basel, Switzerland) drug Bonvia® (Ibandronate) has been used in at least 2 pilot clinical trials to investigate reduction of pain in patients with traumatic BME.

Importantly, Paradigm proposes in its clinical program to administer PPS intramuscularly – whereas both Iloprost and Ibandronate have been administered intravenously (IV) in the pilot clinical trials cited above (where the patient is required to be hospitalized for up to six days).

2.7 Our Pipeline in respiratory conditions – Asthma

As outlined in more detail in Section 3, Paradigm’s intellectual property rights and pipeline also encompasses the use of PPS in certain respiratory conditions such as allergic asthma and allergic rhinitis.

Asthma is a chronic disease characterized by recurrent attacks of breathlessness and wheezing, which vary in severity and frequency from person to person. In an asthma attack the lung bronchi become constricted, reducing the diameter of airway passages, thereby making it difficult to inhale and especially exhale. The sufferer wheezes and coughs. Asthma attacks are most commonly caused by inhaled allergens into the lungs. Severe attacks can be life-threatening.

2.8 The market for asthma

It is estimated that approximately 25 million people in the United States are known to have asthma. The worldwide estimates are between 235-300 million people, with 180,000 deaths annually. Every day, in the United States, 10 people die from asthma attacks.

Asthma is a chronic inflammatory disease of the airways associated with airway sensitivity with multiple triggers leading to short episodes of narrowing of the airways, on a background of long term narrowing of the airways with increased mucus production. Patients with asthma exacerbations experience wheezing, chest tightness, shortness of breath, and coughing. For the majority of asthma patients, standard treatments can control the disease. However, an estimated 10% to 20% of asthmatic patients are less than optimally controlled by existing therapies.

Asthma represents a large unmet medical need. The asthma prescription market was $21.6 billion in 2011, but despite the many therapies available, the economic cost of treating asthma still remains significant. Asthma costs the United States more than $30 billion every year. The costs include the direct expenditure of treating asthma.
**Allergic asthma**
There are various types of asthma but the most common presentation is allergic asthma. Family history of asthma and early exposure to allergens are important in the initiation of allergic asthma.

An attack of asthma begins when an allergen is inhaled. The allergen binds to allergen-specific IgE antibodies on the surfaces of mast cells in the lungs.

Binding of the allergen triggers the mast cells to release:
> Histamine; and
> Leukotrienes.

Together these substances:
> Cause the smooth muscle cells of the bronchi (the technical term for particular air-carrying tubes of the lung) to contract narrowing the diameter of the bronchi. This is the early stage.
> Create an accumulation of inflammatory cells – especially eosinophils and the production of inflammatory mucus. This is the late stage of the disease. With repeated attacks, the chronic inflammation causes the lining of the bronchi to become fibrotic (thickened and damaged).

60% of all asthma cases are allergic asthma. Non-allergic asthma accounts for the remaining 40% of cases. Non-allergic asthma has the same clinical symptoms of allergic asthma but it is caused by irritants rather than allergens. PPS may play a role in treating both allergic and non-allergic asthma.

### Treatments for asthma
A physician has several current alternative treatments for asthma, the common approaches including:

**Bronchodilators (beta-adrenergic agonists)**
> These drugs (Albuterol for example) mimic the action of adrenaline.
> They relax the smooth muscle of the bronchi.
> They may be inhaled or given in oral form.
> While useful in the early stage of an attack, they provide no protection against the long term damage produced during the late stage.

**Corticosteroids**
> These drugs reduce the inflammation of the late stage of the response.
> They may be given in an inhaler (e.g., beclomethasone) or orally (e.g., prednisone).

**Mast Cell Stabiliser – cromolyn sodium (disodium cromoglycate)**
> Inhibits the release of histamine and leukotrienes from activated mast cells.
> It is used mainly used as a prophylaxis to prevent attacks (e.g., before exercise – if exercise triggers asthma attacks) but is of no use in the early stage of an ongoing asthma attack.

**Mast Cell Stabiliser – leukotriene inhibitors**
Two types of leukotriene inhibitors received FDA approval in 1996.
> Zileuton (Zyflo®) blocks leukotriene synthesis by inhibiting the action of a key enzyme (5-lipoxygenase).
> Montelukast (Singulair®) blocks the leukotriene receptors on the surface of smooth muscle cells and eosinophils.
2. General Industry Overview

In the treatment of persistent asthma, randomised controlled trials have shown leukotriene inhibitors to be more effective than placebo but less effective than inhaled corticosteroids.

**Recently developed biological treatments**

- Anti-IgE antibodies. These interfere with the binding of IgE to mast cells. Omalizumab (Xolair®), a humanized monoclonal antibody produced by recombinant DNA technology, has been approved for use against allergic asthma (but carries a “black-box” warning of the slight risk of an anaphylactic reaction).
- Drugs like Lebrikizumab®, for example, bind to IL-13 keeping it from promoting IgE synthesis.

2.10 Current standard of care to treat asthma

The current standard of care for asthma in many cases can have adverse events or limitations:

- The first line treatment for asthma is inhaled corticosteroids (ICS), which are usually used in combination with beta2-agonists. Beta2-agonists relieve the symptoms rather than treat the underlying inflammation and have the potential to make asthma worse if used frequently in the absence of ICSs. Nevertheless, this seems to be the preferred therapy (despite its side effects) because of the immediacy of its effect. Beta2-agonist therapy in the absence of ICS has been given a “black box” warning by the FDA because of the potential cardiac problems associated with this therapy. Although side effects are lower than with oral formulations, ICS are not without adverse local and systemic side effects. For example, bone density and fractures can be a problem: certain effects of ICS on bone metabolism are detectable but the clinical relevance is unclear. On balance the side effects are acceptable given the severe complications of sustained-uncontrolled asthma.
- Omalizumab®, an anti-IgE antibody (Genetech) mentioned above, is considered to be an add-on therapy for patients with severe persistent allergic asthma inadequately controlled by high doses of standard inhaled treatments. Even at the lowest dosing it has a cost in the US of between $10,000 and $12,000 per annum. The dose constraints and delivery mechanism (subcutaneous injection) are an added disadvantage. Moreover, a warning from the US FDA has linked omalizumab injection to life-threatening anaphylaxis (rare) and more worrying in some patients this anaphylaxis is delayed, occurring between 2 to 24 hours after injection.
- Anti-leukotrienes (anti-LTs) cause bronchodilation. Their effect is additive to that of short-acting Beta2-receptor agonists, although alone they have a relatively modest effect. Anti-LTs primarily affect the early asthmatic response (EAR) whereas, ICS show pronounced effects on late asthmatic responses. For these reasons, anti-LTs have been trialled in combination with ICS. Anti-LTs are not cost effective, compared to ICS. They have virtually no side effects, but their efficacy is low.

2.11 Rationale for the use of PPS to treat asthma

PPS has the potential to treat severe asthmatics who demonstrate inhaled corticosteroids resistance. PPS targets many pathogenic pathways that lead to asthma and, therefore, will target the varied asthma phenotypes. Unlike biologicals, PPS is expected (based on pre-clinical work to date) to have the advantage of repeated usage without loss of biological activity.

2.12 Market opportunity: asthma

An unmet need exists for the treatment of steroid-resistant refractory asthma. Accelerated approval could be sought for a therapeutic agent addressing a significant unmet clinical need.

2.13 Allergic rhinitis

Allergic rhinitis typically causes sneezing and a blocked, itchy and runny nose. An allergy is the common cause of rhinitis but there are also non-allergic causes. Treatment options, for allergic rhinitis, are antihistamine nasal sprays, oral antihistamine tablets and corticosteroidal nasal sprays. It is the most common form of rhinitis.

The most common allergen is the house dust mite. However, allergy to pets or other animals is also common. Hay fever (caused by an allergy to pollen) is another type of allergic rhinitis. However, hay fever tends to be seasonal and not persistent because it occurs during a particular period each year.
Symptoms of allergy in the nasal passage are due to the immune system reacting to the allergen (such as pollen or house dust mite). Residual cells (mast cells) in the lining of the nasal passage release histamine and other chemicals when they come into contact with the allergen. This causes inflammation in the nose (rhinitis) along with the typical inflammatory symptoms.

2.14 What are the commonly used treatments for allergic rhinitis?

There are a number of current treatments:

**Antihistamine nasal sprays**
A dose from an antihistamine nasal spray can rapidly ease itching, sneezing and watering (within 15 minutes or so). It may not be so good at easing congestion. Antihistamines work by blocking the action of histamine. Histamine is one of the chemicals involved in allergenic reactions. A spray can be used as required and it can also be used regularly to prevent symptoms.

**Oral antihistamine**
Oral antihistamines are an alternative to nasal sprays. They ease most of the symptoms but may not be so good at relieving a blocked nose (nasal congestion). Oral antihistamines are good if both eye and nose symptoms are present.

**Corticosteroid nasal sprays**
A corticosteroidal nasal spray usually works well to clear all the nasal symptoms (itch, sneezing, watering and congestion). It works by reducing inflammation in the nose. These sprays tend to ease eye symptoms.

It takes several days for a steroid spray to build up to its full effect. Therefore, there is no immediate relief of the symptoms and in some people it can take up to three weeks or longer to be fully effective. A steroid nasal spray tends to be the most effective treatment when symptoms are more severe. It can also be used in addition to antihistamines if symptoms are not fully controlled by either alone.

**Other treatment options**
The following are also sometimes used. They tend to be used if there are problems with any of the above treatments. Sometimes one is used as an add-on treatment in addition to one or more of the above treatments if symptoms are not fully controlled:

> Sodium cromoglicate nasal spray (Cromolyn®, IVAX Pharmaceuticals). Like steroid sprays, it takes a while to build up its effect and needs to be taken regularly. Cromolyn is a mast cell stabiliser and works by blocking the release of histamine from the mast cells in the nasal passage. One disadvantage is that it needs to be administered 4-5 times a day (steroid sprays are administered 1-2 times a day).

> Ipratropium bromide nasal spray (Atrovent® for example) is prescribed in cases of watery discharge. It has no effect on sneezing or congestion.

2.15 Allergic rhinitis market size

The allergic rhinitis market (USD$10.6 billion) is largely made up of second generation antihistamines (USD$6.6 billion) such as Allegra®, Zyrtec®, Clarinex® and intranasal corticosteroids (28%, USD$2.7 billion) such as Flonase®.

IMS audits indicate the USA is the largest market for antihistamines and intranasal corticosteroids which accounts for approximately 63% of global sales.

Allergic rhinitis affects an estimated 20 to 40 million people in the United States alone, and the incidence is increasing; an estimated 20% of cases are seasonal allergic rhinitis (SAR or hay fever); 40% of cases are persistent allergic rhinitis; and 40% of cases are mixed.

Allergic rhinitis affects 15 to 30% of children and adults in the United States and other industrialized countries.
3. Company Overview
3. Company Overview

3.1 About Paradigm
Paradigm’s core competency is in drug repurposing i.e. finding new clinical indications for existing drugs. Paradigm’s drug candidate is pentosan polysulphate sodium (PPS) with our lead clinical indication being BME and our secondary clinical indications being allergic asthma and allergic rhinitis.

Investors should note that the funds to be raised under this Prospectus are only intended to enable the Company to undertake the Expenditure Program outlined in this Prospectus to advance the Company’s PPS in a Phase 2 BME trial. Further funding will be required in the future for continued development/clinical trials necessary for the Company (depending on trial outcomes) or to seek partnering or licensing opportunities to pursue product approval and additional indications (allergic asthma and allergic rhinitis).

In addition, depending on the results of the BME Phase 2 trial, the Company would envisage under the maximum funding scenario to have commenced a Phase 3 study in BME together with commencement of its Phase 1 clinical study in its respiratory pipeline.

As the approvals to commence clinical trials and the outcomes of those clinical trials are both inherently uncertain and carry significant risks, the Company provides no guarantee or representation as to the outcome of the proposed clinical trial which is the subject of the Expenditure Program or that the proposed further development work (in the proposed clinical trials) will ultimately result in an approved product.

3.2 Paradigm’s team
Paradigm’s execution of this strategy is driven by a team with significant experience in drug development and performing clinical studies including:

> Our Chairman Mr Graeme Kaufman has a broad experience in the development and commercialisation of pharmaceutical drugs (prior executive roles including CFO at CSL Ltd, executive VP of Mesoblast Ltd).

> Our Managing Director Mr Paul Rennie has been involved in drug development and a number of pre-clinical and clinical trial programs (was the inaugural COO of Mesoblast Ltd and most recently as Executive VP, New Product Development at Mesoblast Ltd). Mr. Rennie has worked, full-time, with Paradigm over the past 18 months.

> Our Chief Scientific Officer Professor Peter Ghosh who has over 30 years’ experience in scientific research in novel chemical compounds including PPS.

> Our Chief Financial Officer and Company Secretary Mr Kevin Hollingsworth has previous experience with publicly listed biopharmaceutical start-ups such as Mesoblast Ltd and Patrys Ltd.

3.3 Paradigm’s approach – drug repurposing
Paradigm’s objective in repurposing PPS to treat BME is to overcome some of the traditional hurdles in new drug development including:

> Safety data – PPS generally has a known safely profile which Paradigm intends to leverage in its clinical development program. This safety profile for PPS may not always be the case and, in part, will also depend on the mode of delivery and indication of use.

> Mechanism of action – The method of action (MOA) of PPS has been extensively studied and the results have been published in high ranking peer-reviewed scientific journals.

> Manufacturing – PPS is currently manufactured on a commercial scale by various suppliers and used in a number of countries for approved therapeutic applications. Paradigm intends to source its PPS from bene pharmaChem. Paradigm has a long term supply agreement with bene pharmaChem in certain jurisdictions and under that agreement access to the bene pharmaChem drug master file (DMF) and other preclinical and clinical safety data.
3. Company Overview

3.4 What is PPS

PPS is a heterogeneous semi-synthetic drug manufactured from European beech-wood hemicellulose by sulphate esterification. Its primary use over the last 60 years in Europe has been for the treatment and prevention of blood clots.

PPS is a safe drug (and currently the only) medication that has been approved by the US Food and Drug Administration for treating the pain or discomfort of interstitial cystitis. Investors should note that the Company’s proposed product candidate is intended to be administered by way of an injection (not delivered orally, as it is for interstitial cystitis).

As outlined above repurposing an approved drug means traditional hurdles for new chemical compounds are potentially already overcome or more easily addressed. In the case of PPS:

> Safety data in humans has been established by over 60 years of clinical use;
> MOA the subject of over 500+ peer review publications;
> Manufacturing on commercial scale at US FDA audited facility (pursuant to the bene pharmaChem Supply Agreement).

However investors should keep in mind that there is no guarantee that the Company’s clinical product candidates will achieve the same results as in other indications for PPS which are already approved or that the regulatory authorities will accept safety data from the prior use of PPS in the Company’s proposed therapeutic applications of PPS.

3.5 Paradigm’s product candidate pipeline

Paradigm’s lead drug candidate is PPS. The lead clinical indication is BME and the secondary indications are allergic asthma and allergic rhinitis, as outlined in the table below.

<table>
<thead>
<tr>
<th>Drug / Indication</th>
<th>Preclinical</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
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<tr>
<td>PPS / BME</td>
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<td>PPS / allergic asthma</td>
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<td>PPS / allergic rhinitis</td>
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</table>

3.6 Our proposed BME clinical development program

The Company intends to use proceeds from the Offer to investigate the efficacy of PPS in a double blinded placebo controlled Phase 2 clinical trial in patients with BME. Our initial focus is on those patients who have traumatic BME. Subject to regulatory clearance, the Company proposes to commence the BME Phase 2 clinical in Australia in 1H calendar 2015.

3.7 Anticipated competitive advantages of PPS for treating BME

There is a considerable scientific evidence to indicate PPS has a number of pharmacological MOAs. In particular PPS’s MOAs include suppression of cartilage degrading enzymes (MMPs), anti-inflammatory, fibrinolytic and lipolytic effects – which are thought to be relevant to the treatment of BME and its underlying cause.

Paradigm’s proposed Phase 2 double blinded randomised placebo controlled clinical trial over a 24 month period is based on the recruitment of approximately 160 patients and is designed to use PPS administered intramuscularly to the patient. For each BME patient it is currently envisaged it will consist of 6 injections of PPS over 3 weeks.
PPS potentially has the following competitive advantages:

> ease of administration;

> it has been shown in high-ranking peer-reviewed scientific studies to have pharmacological effects which are important in joint health:
  - it has been proven to be an effective fibrinolytic and lipolytic agent, which is important in clearing micro-thrombi and micro-emboli associated with both traumatic and non-traumatic BME;
  - it has been proven to reduce the cartilage degrading enzymes MMPs (metalloproteinase MMP-3 & MMP-13) and ADAMTS-5 (a disintegrin and metalloproteinase with thrombospondin motifs abbr., ADAMTS);

> it has been demonstrated to be as effective as other non-steroidal anti-inflammatories, but without the side-effects of some non-steroid based anti-inflammatory therapies;

> it generally has a well-established safety profile in both oral and IM injections.

As indicated above, these points should not be taken to be a guarantee that the regulatory authorities (for example FDA) will accept pre-existing safety data in other indications as satisfying the requirements for use of PPS in the Company’s proposed clinical trial.

3.8 Anticipated competitive advantages of PPS for treating asthma

Compared to other agents used for the treatment of asthma PPS has the following advantages:

> PPS may be administered orally, intramuscularly or by inhalation (nebulized/aerosilised).

> The anti-asthmatic effect of PPS has been demonstrated in scientific experiments conducted by Glycan BioSciences LLC and is the subject of the patent applications detailed in Section 7.

> PPS has potential significant efficacy in reducing bronchial hyper-reactivity with equivalent efficacy with corticosteroids.

> From pre-clinical work it is anticipated that PPS has significant efficacy in reducing the total number of infiltrating leukocytes in respiratory tissues after allergen challenge.

> PPS has potentially antagonistic actions against each key asthma cytokines (IL-4, IL-5 and IL-13), which target cell populations (TH2 cells, B cells, mast cells, eosinophils) involved in the allergic asthmatic response.

> PPS also has potentially antagonistic action against eotaxin-1 (CCL11) and eotaxin-2 (CCL24) involved in the infiltration of eosinophils into the lung airways and the severity of asthma and corticosteroid resistance.

> Further it is anticipated that PPS has antagonistic action against the chemokines IL-8, MIP-1 alpha and MCP-1, therefore inhibiting the infiltration of leukocytes (eosinophils; neutrophils) to sites of inflammation in the lung.

> Compared to biologicals PPS is inexpensive to manufacture and readily available commercially in a suitable form for administration. Moreover, due to its long-term use as a therapeutic, the pharmacology of PPS is well established.

3.9 Paradigm’s development plans for its asthma franchise

$600,000 from the funds raised pursuant to this Offer will be allocated to upfront payments to the seller of the IP (Glycan BioSciences LLC) and a focused development plan undertaken by Paradigm. The development plan will investigate the most appropriate route of delivery for treating asthma and the required in vitro or in vivo studies.

Subject to the results of the proposed Phase 1 trial (see Section 3.14), additional funds for the clinical development plan will need to be sought for the proposed Phase 2 clinical study to investigate the role of PPS in treating steroid-resistant refractory asthma.
3. Company Overview

3.10 Anticipated competitive advantages of PPS for treating allergic rhinitis

From the proposed fund raising under this Prospectus, the Company only proposes early pre-clinical research on allergic rhinitis.

It is anticipated by the Company that compared to other agents used for the treatment of allergic rhinitis, PPS has the following advantages:

- PPS may inhibit the release of histamine from mast cells in the nasal passage. PPS inhibition of histamine, secreted from the mast cells, is more potent than the clinically available mast cell stabilizer disodium cromoglycate (Cromolyn, IVAX Pharmaceuticals).

- PPS may have significant efficacy in reducing the total number of infiltrating leukocytes (eosinophils and neutrophils) in nasal passage after allergen challenge. A reduction in eosinophils is important in both the acute and chronic phases of the disease.

- PPS is expected to have an antagonistic (blocking) action against key pro-inflammatory cytokines (IL-4, IL-5 and IL-13), which target cell populations (TH2 cells, B cells, mast cells, eosinophils) involved in allergic rhinitis.

- PPS is also expected to have antagonistic action against eotaxin-1 (CCL11) and eotaxin-2 (CCL24) involved in the infiltration of eosinophils into the nasal passage.

- PPS has been seen in studies to have antagonistic action against the chemokines IL-8, MIP-1 alpha, MCP-1 therefore inhibiting the infiltration of leukocytes (eosinophils; neutrophils) to sites of allergen induced inflammation in the nasal passage.

3.11 Rationale for the use of PPS to treat allergic rhinitis

PPS has potential long acting anti-histamine activity with antagonistic effects on the TH2 cytokines involved in the inflammatory response in allergen-induced rhinitis. Therefore PPS can act on the early allergic rhinitis responses and also on the progressive mediators of the allergic reaction.

PPS provides a competitive advantage to allergic rhinitis therapies that combine the use of anti-histamines and corticosteroids. Since PPS targets inflammatory allergy-inducing cytokines via a different mechanism of action compared to corticosteroids the side effects encountered with long-term corticosteroid treatment may be avoided.

PPS targets many pathogenic pathways (broad spectrum activity) that lead to allergic rhinitis and therefore is more effective than biological agents that target only a single cytokine.

Unlike biological agents or corticosteroids, PPS has the potential advantage of repeated dosing without loss of therapeutic activity or induction of severe side effects.

3.12 Manufacturing generally

Paradigm has executed a long-term Supply Agreement with the German company, bene pharmaChem which originally discovered and developed PPS (outlined in greater detail in Section 10.8). The supply agreement provides Paradigm with PPS for the initial field of BME and the respiratory diseases in all the ASEAN markets.

3.13 Intellectual Property

Paradigm’s intellectual property rights consist of its patent position (outlined in Section 7), its trademarks and also its trade secrets:

- Patents: Paradigm’s wholly owned subsidiary Paradigm Health Sciences Pty Ltd has been granted in Australia a patent entitled, treatment of BME with polysulfated polysaccharides with the priority date of 2 February 2011 and WIPO application number WO2012/103588. Paradigm’s BME patent application has been filed in over 32 countries including the major markets of the USA, Europe and Japan. In addition Paradigm has acquired patents and patent applications in respect of certain respiratory conditions from Glycan which includes a granted patent in Australia. The respiratory patent application is also being prosecuted in the USA and Europe. For more detail on Paradigm’s a patent portfolio see Section 7 (F B Rice Patent Report).
Trademarks: The Company has two trademarks Zilosul® and Rhinasul® intended to be used on its products for treating BME and allergic rhinitis, respectively.

Trade secrets: The PPS manufactured by bene pharmaChem is protected by Trade Secrets. While the Trade Secrets are owned by bene pharmaChem, Paradigm has a licence to the bene pharmaChem’s IP under the Supply Agreement. For details see the Manufacturing Section 10.8.

Understanding of PPS: Paradigm has developed significant expertise in PPS and its use. This Know-How is protected by Confidentiality Agreements with Employees and Contractors.

3.14 Overview of the Company’s funding program using IPO funds

Minimum funding scenario of $10 million
Paradigm has a minimum funding scenario where it raises $10 million under this Prospectus. This will provide funding for 24 months with the objective that the Company will be able to conclude the BME Phase 2 trial of approximately 160 patients and early Research and Development on its respiratory pipeline.

Paradigm owns significant in vitro and pre-clinical data on the use of PPS in industry standard models and assays used also by many of the Big Pharma companies. Paradigm needs to invest some funds into the Research and Development of PPS formulation which can be inhaled directly into the lungs (asthma and COPD) and a nasal spray formulation (rhinitis). Once these formulations are complete, Paradigm will be in a position to test them in a Phase 1 clinical trial.

Oversubscriptions – Aggregate Subscription up to $13.5 million
The Company will accept aggregate subscriptions (including oversubscriptions) up to a maximum of $13.5 million which where the maximum is raised will fund the clinical development over a 36 month period. This program is designed to include a BME Phase 2 trial of approximately 160 patients.

This study will evaluate the safety and efficacy of this treatment over a range of drug doses and routes of administration i.e., intramuscular, subcutaneous and intra-articular injections.

In addition, depending on the results of the BME Phase 2 trial, the Company would envisage under the maximum funding scenario to have commenced a Phase 3 study in BME together with commencement of its Phase 1 clinical study in its respiratory pipeline.

3.15 Our future activities
Where the efficacy is proven in the Company’s proposed Phase 2 clinical trial in BME, subject to raising additional funding, the Company then would contemplate conducting a pivotal Phase 3 Clinical Trial for the product registration.
4. Board and Management
4. Board and Management

4.1 Our Board

**Graeme Kaufman, Non-Executive Chairman**

Graeme Kaufman BSc, MBA, has wide ranging experience across the biotechnology sector, spanning scientific, commercial and financial areas. His experience with CSL Limited, Australia’s largest biopharmaceutical company included responsibility for all of their manufacturing facilities, and the operation of an independent business division operating in the high technology medical device market. As CSL’s General Manager Finance, Mr Kaufman had global responsibility for finance, strategy development, human resources and information technology. Mr Kaufman has also served as an executive director of ASX-listed Circadian Technologies and a non-executive director of Amrad Corporation, and held the role of Executive Vice President Corporate Finance with Mesoblast Limited until 2013. He is currently Chairman of Bionomics Limited and IDT Australia Limited, and non-executive director of Cellmid Limited.

**Paul Rennie, Managing Director**

Paul Rennie BSc, MBM, Grad Dip Commercial Law, MSTC, has sales, marketing, business development, operational and IP commercialisation experience in the biopharmaceutical sector. Paul’s experience includes working for Boehringer Mannheim (now Roche Diagnostics), Merck KGGA as national sales and marketing manager and Soltec (FH Faulding Ltd) as their director of business development. Paul also led the commercialisation of Recaldent® a novel biopharmaceutical arising from research at the dental school, University of Melbourne. Paul took an R&D project from the laboratory bench to a commercial product now marketed globally as an additive to oral care products. More recently Paul worked in a number of positions with Mesoblast Ltd. Paul was the inaugural COO and moved into Executive Vice President New Product Development for the adult stem cell company. For the past 18 months Paul has worked full time at Paradigm BioPharmaceuticals Ltd.

**Mr Christopher Fullerton, Non-Executive Director**

Christopher Fullerton, BEc, has extensive experience in investment, management and investment banking and is a qualified chartered accountant. He is an investor in listed equities and private equity and his current unlisted company directorships cover companies in the property investment and agriculture sectors. Mr Fullerton’s exposure to and experience in the fields of biotechnology and health care technology was gained through his non-executive chairmanships of Bionomics Limited, Cordlife Limited and Health Communication Network Limited and his non-executive directorship of Global Health Limited.

**Mr John Gaffney, Non-Executive Director**

John Gaffney LL.M is a lawyer with over 30 years experience and has undertaken the AICD Company Directors qualification. He brings to the board a compliance and corporate governance background and is experienced in financial services compliance. John also has corporate and commercial experience having worked with a major national law firm as a senior lawyer and also practised as a Barrister at the Victorian Bar. Previously John has been a non executive director of a US based biotechnology company.

4.2 Our core scientific team

**Professor Peter Ghosh, Chief Scientific Officer**

Professor Peter Ghosh BSc (Hons, London), PhD (UEA), DSc (Sydney), FRACI (Aust.), FRSC (UK), CSc (UK) has been engaged in medical and biopharmaceutical research for more than 48 years, initially as an academic at the Australian National University (1966 – 1969) then the University of Sydney (1970 – 2002). During his tenure as Director and President of the Institute of Bone and Joint Research at Sydney’s Royal North Shore Hospital he was also elected President of the Matrix Biology Society of ANZ, President of the Orthopaedic Research Society of ANZ and Board Member of the Osteoarthritis Research Society International (USA). Laboratory studies undertaken under the direction of Professor Ghosh in 1980 led to the discovery of Pentosan Polysulfate (PPS) as a disease-modifying drug for osteoarthritis. These unique pharmacological activities of PPS were confirmed by double blind human and veterinary clinical studies conducted in Australia, Europe, and Japan. After retiring from the University of Sydney at the end of 2002 Professor Ghosh continued to investigate the biopharmacological activities of PPS via ProteoBioactives Pty Ltd of which he is co-founder and Director. He is also a Director of Biopharm Australia Pty Ltd, a Director of Paradigm Health Sciences Pty Ltd and consults for several biotech companies including Mesoblast Ltd.
4. Board and Management

4.3 Proposed regulatory/clinical appointments

Paradigm has had discussions for the appointment of additional regulatory and clinical members to support the Company’s Expenditure Program.

The Board believes it will be in a strong position to confirm such appointments after the successful fund raising under this Prospectus with the profile as a listed company.
5. Financial Information
Introduction
The Financial Information contained in this section includes the Historical Financial Information and Pro forma Historical Financial Information for Paradigm.

Historical Financial Information being the:

> the Consolidated Statement of Financial Performance for the period from incorporation 2 May 2014 to 30 June 2014; and

> the Consolidated Statement of Financial Position as at 30 June 2014.

The Historical Financial information has been based on the audited accounts of Paradigm for the period from incorporation 2 May 2014 to 30 June 2014.

Pro Forma Historical Financial Information being the Pro Forma Historical Statement of Financial Position as at 30 June 2014.

The Pro Forma Historical Statement of Financial Position assumes the completion of the Offer and other transactions as outlined in Section 5.2.

The Historical Financial Information and Pro Forma Historical Financial Information has been reviewed by RSM Bird Cameron Corporate Pty Limited whose Independent Limited Assurance Report is contained in Section 6.

The information in this Section should also be read in conjunction with the risk factors set out in Section 8 and other information contained in this Prospectus.

Basis of Preparation and Presentation of the Financial Information
The Financial Information included in this Section has been prepared and presented in accordance with the recognition and measurement principals described in Australian Accounting Standards. Compliance with these standards ensures that the Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards as adopted by the International Accounting Standards Board.

The Financial Information has been solely prepared for the purpose of inclusion in the Prospectus and is presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Paradigm’s significant accounting policies have been consistently applied throughout the periods and are set out in Section 5.1.

The Historical Financial information has been based on the audited accounts of Paradigm for the period from incorporation 2 May 2014 to 30 June 2014. RSM Bird Cameron audited the financial statements for the period from incorporation 2 May 2014 to 30 June 2014 and issued an unqualified opinion.

The Pro forma Historical Financial Information is based on the audited financial statements of Paradigm for the period ended 30 June 2014, after adjusting for certain pro forma transactions as outlined in Section 5.2.

Investors should note that past results are not a guarantee of future performance.
Historical Consolidated Statement of Comprehensive Income
Set out below is the historical audited Statement of Comprehensive Income of the consolidated entity for the period from incorporation 2 May 2014 to 30 June 2014.

<table>
<thead>
<tr>
<th>Description</th>
<th>FROM 02-MAY-14 TO 30-JUN-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Administration expenses</td>
<td>$(38,573)</td>
</tr>
<tr>
<td><strong>Loss before income tax</strong></td>
<td>$(38,573)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>–</td>
</tr>
<tr>
<td><strong>Loss for the period</strong></td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to members of the consolidated entity</strong></td>
<td>$(38,573)</td>
</tr>
</tbody>
</table>

Note: The Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial information.
5. Financial Information

Historical and Pro-Forma Consolidated Statement of Financial Position

Set out below is the historical audited Statement of Financial Position of the Consolidated Entity as at 30 June 2014 and the Pro-Forma Statement of Financial Position as at 30 June 2014. The Pro-Forma Statement of Financial Position has been prepared to illustrate the effects of the Offer and assumes completion of the Pro-Forma transactions set out in Note 5.2 as if they had occurred on 30 June 2014.

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>NOTE</th>
<th>AUDITED CONSOLIDATED ENTITY 30-JUN-14 $</th>
<th>PRO-FORMA ADJUSTMENTS MINIMUM $</th>
<th>PRO-FORMA ADJUSTMENTS MAXIMUM $</th>
<th>UNAUDITED PRO-FORMA POSITION MINIMUM $</th>
<th>UNAUDITED PRO-FORMA POSITION MAXIMUM $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5.3</td>
<td>7,773</td>
<td>8,928,280</td>
<td>12,218,280</td>
<td>8,936,053</td>
<td>12,226,053</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>5.4</td>
<td>19,949</td>
<td>–</td>
<td>–</td>
<td>19,949</td>
<td>19,949</td>
</tr>
<tr>
<td>Capital Raising Costs</td>
<td>5.5</td>
<td>100,157</td>
<td>(100,157)</td>
<td>(100,157)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total current assets</td>
<td></td>
<td>127,879</td>
<td>8,828,123</td>
<td>12,118,123</td>
<td>8,956,002</td>
<td>12,246,002</td>
</tr>
<tr>
<td>Non current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>5.6</td>
<td>88,921</td>
<td>520,000</td>
<td>520,000</td>
<td>608,921</td>
<td>608,921</td>
</tr>
<tr>
<td>Total non current assets</td>
<td></td>
<td>88,921</td>
<td>520,000</td>
<td>520,000</td>
<td>608,921</td>
<td>608,921</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>216,800</td>
<td>9,348,123</td>
<td>12,638,123</td>
<td>9,564,923</td>
<td>12,854,923</td>
</tr>
</tbody>
</table>

LIABILITIES

| Current liabilities | | | | | | |
| Trade and other payables | 5.7 | 368,665 | – | – | 368,665 | 368,665 |
| Total current liabilities | | 368,665 | – | – | 368,665 | 368,665 |
| Net assets | | (151,865) | 9,348,123 | 12,638,123 | 9,196,258 | 12,486,258 |

EQUITY

| | | | | | | |
| Issued capital | 5.8 | 1 | 9,978,123 | 13,268,123 | 9,978,124 | 13,268,124 |
| Reserves | 5.9 | – | 374,400 | 374,400 | 374,400 | 374,400 |
| Accumulated losses | 5.10 | (151,866) | (1,004,400) | (1,004,400) | (1,156,266) | (1,156,266) |
| Total equity | | (151,865) | 9,348,123 | 12,638,123 | 9,196,258 | 12,486,258 |

The Consolidated Pro-Forma Statement of Financial Position represents the Audited Statement of Financial Position as at 30 June 2014 adjusted for the Pro-Forma transactions outlined in Note 5.2 relating to the issue of Shares pursuant to this Prospectus and other transactions. The Statement of Financial Position should be read in conjunction with the notes to the financial information.
5.1 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial information are set out below.

(a) Basis of preparation

The financial information has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial information has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Principles of Consolidation

Subsidiaries

The consolidated financial statements comprise those of the Company, and the entities it controlled at the end of, or during, the financial period. The company and its controlled entities together are referred to in this financial report as the consolidated entity.

The acquisition of Paradigm Health Sciences Pty Limited (“PHS”) on 5 June 2014 was treated as a common control transaction. Consequently, this transaction did not fall into the scope of AASB 3 – Business Combinations.

The acquisition of PHS has been accounted for using book value accounting whereby the assets and liabilities of PHS are recognised at their previous carrying amounts. No adjustments were made to reflect fair values and no new assets and liabilities of PHS were recognised at the date of the acquisition. The Consolidated Statement of Total Comprehensive Income for the period from incorporation on 2 May 2014 to 30 June 2014 includes the results of PHS for the entire period.

(b) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). The income tax expense or revenue for the period is the tax payable on taxable income for the current period based on the applicable income tax rate for Australia, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Income tax revenue in relation to refundable Research and Development tax offsets is only recognised following the lodgement and processing of the income tax return related to the offsets.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.
5. Financial Information

(c) Employee Benefits
Share-based compensation benefits
Issues of shares to employees with limited recourse loans under the Executive Share Plan (ESP) are considered
to be share based payments in the form of options.

The fair value of options granted under the ESP is recognised as an employee benefit expense with a
Corresponding increase in equity. The fair value is measured at grant date and recognised over the period
during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account
the exercise price, the term of the option, the vesting and performance criteria, the share price at grant date and
expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the
term of the limited recourse loan.

(d) Impairment of assets
At the end of each reporting period, the Company assesses whether there is any indication that an asset may
be impaired. The assessment will include considering external sources of information and internal sources
of information. If such an indication exists, an impairment test is carried out on the asset by comparing the
recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use,
to the asset’s carrying value. Any excess of the asset’s carrying value over its recoverable amount is expensed
to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates
the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(e) Cash and cash equivalents
For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits
held at call with banks, other short-term highly liquid investments with original maturities of three months or less
which are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

(f) Intangible assets
(i) Intellectual property and licences
Intellectual property and licences have a finite useful life and are carried at cost less accumulated amortisation
and impairment losses. Intellectual property and licences are amortised on a systematic basis matched to the
future economic benefits over the useful life of the project.

(ii) Research and development
Expenditure during the research phase of a project is recognised as an expense when incurred. Development
costs are capitalised only when technical feasibility studies identify that the project will deliver future economic
benefits and these benefits can be measured reliably.

(g) Trade and other payables
Trade and other payables represent the liability outstanding at the end of the reporting period for goods and
services received by the entity during the reporting period which remain unpaid. The balance is recognised
as a current liability with the amounts normally paid within the requisite terms specified by the supplier.

(h) Issued capital
Ordinary and preference shares of the Company (Preference Shares) are classified as equity.

Any incremental costs directly attributable to the issue of new shares or options are recognised in equity
as a deduction, net of tax, from the proceeds.

(i) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST
incurred is not recoverable from the relevant taxation authority. In these circumstances the GST is recognised
as part of the cost of acquisition of the asset or as part of an item of the expense.
Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

5.2 Pro-Forma Statement of Financial Position Adjustments

The Pro-Forma Statement of Financial Position as at 30 June 2014 has been prepared by adjusting the audited Statement of Financial Position as at that date to reflect the financial effects of the following transactions as if they had occurred at 30 June 2014:

(i) On the acquisition by the Company of Paradigm Health Sciences Pty Ltd ACN 143 969 108 (PHS) (pursuant to a share swap agreement) 154,999 additional Shares were issued by the Company to the shareholders of PHS.

(ii) 1,235,000 Preference Shares have been issued at an issue price of $1.00 per Preference Share to raise funds for the general working capital of the Company up to the Listing Date.

(iii) The payment of estimated operational costs between 01 July 2014 and the date of the Prospectus of $630,000.

(iv) The payment of estimated capital raising costs between 01 July 2014 and the date of the Prospectus of $243,328 in relation to the issue of Preference Shares.

(v) The payment of estimated Intellectual Property costs between 01 July 2014 and the date of the Prospectus of $60,000.

(vi) The Shareholders unanimously resolved to subdivide the Company’s share capital prior to undertaking the Offer by 0.0036094478.

(vii) The Offer of 28,571,429 fully paid Shares (Minimum Subscription) at $0.35 each to raise $10,000,000 before expenses of the issue. The Pro-Forma adjustments assume that the Offer is fully subscribed. All Shares issued pursuant to the Prospectus will be issued as fully paid.

(viii) Payment of cash costs for brokerage fees of undertaking the Offer at the Minimum Subscription is $600,000 and if Maximum Subscription (as defined below) is achieved it will be $810,000.

(ix) Payment of legal fees of undertaking the Offer will be $213,129 if either the Minimum Subscription or Maximum Subscription is achieved.

(x) Payment of ASX Listing fees of undertaking the Offer will be $82,513 if either the Minimum Subscription or Maximum Subscription is achieved.

(xi) Payment of share register fees of undertaking the Offer will be $2,750 if either the Minimum Sub-scription or Maximum Subscription is achieved.

(xii) Payment of accounting fees of undertaking the Offer will be $15,000 if either the Minimum Subscription or Maximum Subscription is achieved.

(xiii) The Offer of 38,571,429 fully paid Shares (Maximum Subscription) at $0.35 each to raise $13,500,000 before expenses of the issue. The Pro-Forma adjustments assume that the Offer is fully subscribed. All Shares issued pursuant to the Prospectus will be issued as fully paid.

(xiv) The transfer of prepaid listing costs of $100,157 to the issued capital account.

(xv) The conversion of 1,235,000 Preference Shares to Ordinary Shares in accordance with the formula outlined in the subscription agreement with each Preference Shareholder (Subscription Agreement) will occur upon a qualified IPO (as defined in the Subscription Agreement).

(xvi) Initial cash payment of $460,000 (USD$400,000 assuming exchange rate of AUD$1 = USD$0.87) for acquiring patents in relation to respiratory diseases of Glycan Biosciences, LLC upon successful completion of the Listing.

(xvii) The issue of 1,800,000 Shares under the executive share plan (Loan Shares) to eligible employees (as defined under that plan) at the issue price of $0.35 which vest immediately. The Loan Shares were acquired with a Limited Recourse Loan provided by the Company.
## 5. Financial Information

### 5.3 Cash and Cash Equivalents

<table>
<thead>
<tr>
<th></th>
<th>AUDITED 30-JUN-14 $</th>
<th>UNAUDITED PRO-FORMA MINIMUM $</th>
<th>UNAUDITED PRO-FORMA MAXIMUM $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank and in hand</td>
<td>7,773</td>
<td>8,996,053</td>
<td>12,286,053</td>
</tr>
<tr>
<td>Cash at bank and in hand at 30 June 2014</td>
<td>7,773</td>
<td>7,773</td>
<td>7,773</td>
</tr>
</tbody>
</table>

Adjustments arising in the preparation of the pro-forma balance sheet are summarised as follows:

- Proceeds from the issue of 1,235,000 Preference Shares at an issue price of $1.00 per share in July and August 2014 (note 5.2 (ii)) 1,235,000 1,235,000
- Payment of estimated operational costs from 1 July 2014 to the date of the Prospectus (note 5.2 (iii)) (630,000) (630,000)
- Payment of estimated capital raising costs from 1 July 2014 to the date of the Prospectus (note 5.2 (iv)) (243,328) (243,328)
- Payment of estimated Intellectual Property costs from 1 July 2014 to the date of the Prospectus (note 5.2 (v)) (60,000) (60,000)
- Proceeds from the issue of 28,571,429/38,571,429 Shares in relation to the Offer pursuant to the Prospectus (note 5.2 (vii)/note 5.2 (xiii)) 10,000,000 13,500,000
- Payment of total cash costs of undertaking the Offer (note 5.2 (viii), (ix), (x), (xi) & (xii)) (913,392) (1,123,392)
- Initial cash payment of USD$400,000 for purchasing patents of Glycan Biosciences LLC (note 5.2 (xvi)) (460,000) (460,000)

Total Pro-Forma adjustments 8,928,280 12,218,280

Pro-Forma balance 8,936,053 12,226,053

### 5.4 Trade and Other Receivables

<table>
<thead>
<tr>
<th></th>
<th>AUDITED 30-JUN-14 $</th>
<th>UNAUDITED PRO-FORMA MINIMUM $</th>
<th>UNAUDITED PRO-FORMA MAXIMUM $</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST receivable</td>
<td>19,949</td>
<td>19,949</td>
<td>19,949</td>
</tr>
</tbody>
</table>

|                        | 19,949               | 19,949                        | 19,949                        |
5.5 Prepaid Capital Raising Costs

<table>
<thead>
<tr>
<th>AUDITED 30-JUN-14</th>
<th>UNAUDITED PRO-FORMA MINIMUM</th>
<th>UNAUDITED PRO-FORMA MAXIMUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid capital raising costs</td>
<td>100,157</td>
<td>–</td>
</tr>
<tr>
<td>Prepaid capital raising costs at 30 June 2014</td>
<td>100,157</td>
<td>100,157</td>
</tr>
</tbody>
</table>

Adjustments arising in the preparation of the pro-forma balance sheet are summarised as follows:

Transfer prepaid costs of undertaking the Public Offer to issued equity (note 5.2 (xiv)) | (100,157) | (100,157) |
Total Pro-Forma adjustments | (100,157) | (100,157) |

Pro-Forma balance | – | – |

5.6 Intangible Assets

<table>
<thead>
<tr>
<th>AUDITED 30-JUN-14</th>
<th>UNAUDITED PRO-FORMA MINIMUM</th>
<th>UNAUDITED PRO-FORMA MAXIMUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost: Intellectual Property</td>
<td>88,921</td>
<td>608,921</td>
</tr>
<tr>
<td>Less: Accumulated amortisation</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Intangible Assets Balance at 30 June 2014</td>
<td>88,921</td>
<td>88,921</td>
</tr>
</tbody>
</table>

Adjustments arising in the preparation of the pro-forma balance sheet are summarised as follows:

Payment of estimated Intellectual Property costs from 1 July 2014 to the date of the Prospectus (note 5.2 (v)) | 60,000 | 60,000 |
Initial cash payment of USD$400,000 for purchasing patents of Glycan Biosciences LLC (note 5.2 (xvi)) | 460,000 | 460,000 |
Total Pro-Forma adjustments | 520,000 | 520,000 |

Pro-Forma balance | 608,921 | 608,921 |

5.7 Trade and Other Payables

<table>
<thead>
<tr>
<th>AUDITED 30-JUN-14</th>
<th>UNAUDITED PRO-FORMA MINIMUM</th>
<th>UNAUDITED PRO-FORMA MAXIMUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>172,882</td>
<td>172,882</td>
</tr>
<tr>
<td>Related party loans</td>
<td>195,783</td>
<td>195,783</td>
</tr>
<tr>
<td>Total</td>
<td>368,665</td>
<td>368,665</td>
</tr>
</tbody>
</table>

The related party loans are interest-free and repayable on demand.
### Issued Equity

**Ordinary shares**

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Shares</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued share capital at 30 June 2014</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Adjustments arising in the preparation of the pro-forma balance sheet are summarised as follows

#### Minimum

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Shares</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued share capital at 30 June 2014</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Share issued on acquisition of Paradigm Health Sciences Pty Ltd (note 5.2 (i))</td>
<td>154,999</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td></td>
<td>155,000</td>
</tr>
</tbody>
</table>

The subdivision of the Company’s share capital prior to undertaking the Offer by 0.0036094478 (note 5.2 (vi)) | 42,942,857 | 1 |

Fully paid Shares issued in relation to Offer at $0.35 pursuant to the Prospectus (note 5.2 (vii)) | 28,571,429 | 10,000,000 |

Payment of total cash costs of undertaking the Offer (note 5.2 (viii), (ix), (xi) & (xii)) | – | (913,392) |

Transfer prepaid costs of undertaking the Offer to issued equity (note 5.2 (xiv)) | – | (100,157) |

Preference Shares Conversion to Ordinary Shares at the ratio of 1 Preference Share for 5.714286 Ordinary Shares (note 5.2 (xv)) | 7,057,143 | 991,672 |

Shares issued under ESP (note 5.2 (xvii)) | 1,800,000 | – |

**Pro-Forma balance** | 80,371,429 | 9,978,124 |

**Preference Shares**

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Shares</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued share capital at 30 June 2014</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Fully paid Preference Shares issued at $1 per share (note 5.2 (iii)) | 1,235,000 | 1,235,000 |

Capital raising costs in relation incurred between 1 July 2014 and the date of the Prospectus (note 5.2 (xiv)) | – | (243,328) |

Preference Shares Conversion to Ordinary Shares at the ratio of 1 Preference Share for 5.714286 Ordinary Shares (note 5.2 (xv)) | (1,235,000) | (991,672) |

**Pro-Forma balance** | – | – |

**Equity Pro-Forma balance** | 80,371,429 | 9,978,124 |

**Maximum**

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Shares</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued share capital at 30 June 2014</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Share issued on acquisition of Paradigm Health Sciences Pty Ltd (note 5.2 (i)) | 154,999 | – |

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Shares</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>The subdivision of the Company’s share capital prior to undertaking the Offer by 0.0036094478 (note 5.2 (vi))</td>
<td>42,942,857</td>
<td>1</td>
</tr>
</tbody>
</table>

Fully paid Shares issued in relation to Public Offer at $0.35 pursuant to the Prospectus (note 5.2 (xiii)) | 38,571,429 | 13,500,000 |

Payment of total cash costs of undertaking the Offer (note 5.2 (viii), (ix), (xi) & (xii)) | – | (1,123,392) |

Transfer prepaid costs of undertaking the Public Offer to issued equity (note 5.2 (xiv)) | – | (100,157) |

Preference Shares Conversion to Ordinary Shares at the ratio of 1 Preference Share for 5.714286 Ordinary Shares (note 5.2 (xv)) | 7,057,143 | 991,672 |

Shares issued under ESP (note 5.2 (xvii)) | 1,800,000 | – |

**Pro-Forma balance** | 90,371,429 | 13,268,124 |
Preference Shares

Issued share capital at 30 June 2014  

Fully paid Preference Shares issued at $1 per share (note 5.2 (ii))  

Capital raising costs in relation incurred between 1 July 2014 and the date of the Prospectus (note 5.2(iv))  

Preference Shares Conversion to Ordinary Shares at the ratio of 1 Preference Share for 5.714286 Ordinary Shares (note 5.2 (xv))  

Pro-Forma balance  

Equity Pro-Forma balance  

Reserves

<table>
<thead>
<tr>
<th></th>
<th>AUDITED 30-JUN-14 $</th>
<th>UNAUDITED PRO-FORMA MINIMUM $</th>
<th>UNAUDITED PRO-FORMA MAXIMUM $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan plan reserve</td>
<td>–</td>
<td>374,400</td>
<td>374,400</td>
</tr>
<tr>
<td>Loan plan reserve balance at 30 June 2014</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Adjustments arising in the preparation of the pro-forma balance sheet are summarised as follows</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair Value of Shares issued to eligible employees under the plan (note 5.2(xvii))</td>
<td>374,400</td>
<td>374,400</td>
<td></td>
</tr>
<tr>
<td>Total Pro-Forma adjustments</td>
<td>374,400</td>
<td>374,400</td>
<td></td>
</tr>
<tr>
<td>Pro-Forma balance</td>
<td>374,400</td>
<td>374,400</td>
<td>374,400</td>
</tr>
</tbody>
</table>

Fair values at loan date are determined using a Black-Scholes pricing model that takes into account the issue price, the term of the loan, the share price at loan date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the loan.

The model inputs for options included as pro-forma adjustments were:

- Issue price: $0.35
- Loan date: 22 Oct 2014
- Expiry date: 5 Years
- Share price at loan date: $0.35
- Expected dividend yield rate: 0.0%
- Risk-free interest rate: 3.03%
- Estimated volatility: 90%
5. **Financial Information**

5.10 **Accumulated Losses**

<table>
<thead>
<tr>
<th></th>
<th>AUDITED 30-JUN-14 $</th>
<th>UNAUDITED PRO-FORMA MINIMUM $</th>
<th>UNAUDITED PRO-FORMA MAXIMUM $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated losses</td>
<td>(151,866)</td>
<td>(1,156,266)</td>
<td>(1,156,266)</td>
</tr>
<tr>
<td>Accumulated losses at 30 June 2014</td>
<td>(151,866)</td>
<td>(151,866)</td>
<td>(151,866)</td>
</tr>
</tbody>
</table>

**Adjustments arising in the preparation of the pro-forma balance sheet are summarised as follows**

- Operating costs incurred between 01 July 2014 and the date of the Prospectus (note 5.2 (iii)) (630,000) (630,000)
- Fair Value of Shares issued to eligible employees under the plan (note 5.2(xvii)) (374,400) (374,400)
- Total Pro-Forma adjustments (1,004,400) (1,004,400)
- **Pro-Forma balance** (1,156,266) (1,156,266)

5.11 **Related Party Disclosure**

(a) **The Directors of Paradigm at the date of this report are:**

- Graeme Roy Kaufman
- Paul John Rennie
- Christopher Fullerton
- John Gaffney

(b) **Directors’ holdings of Shares, directors’ remuneration and other directors’ interests are set out in Section 10.12 of the Prospectus.**

5.12 **Contingent Liabilities**

On 21/08/2014, Paradigm Biopharmaceuticals Limited has signed an Assets Sale Agreement with Glycan Biosciences, LLC for patents in relation to respiratory diseases. Upon successful completion of the Listing, Paradigm Biopharmaceuticals Limited will pay an initial cash payment of $460,000 (USD$400,000 assuming exchange rate of AUD$1 = USD$0.87).

As part of the Assets Sale Agreement, Paradigm Biopharmaceuticals Limited is required to make a number of milestone payments and royalties’ payments subject to certain milestones being met.

Further details in relation to the conditions required to trigger the above payments together with the details of the payments are set out in Section 10.7 of the Prospectus.

5.13 **Commitments**

The Consolidated Entity has no expenditure contracted for at the reporting date but not recognised as liabilities.
6. Investigating Accountant’s Report
7 November 2014

The Board of Directors
Paradigm Biopharmaceuticals Limited

Dear Sirs

Investigating Accountant’s Report

Independent Limited Assurance Report on Paradigm Biopharmaceutical Limited’s Historical and Pro Forma Historical Financial Information

We have been engaged by Paradigm Biopharmaceuticals Limited (“Paradigm” or “the Company”) to report on the historical financial information and pro forma historical financial information of Paradigm as at 30 June 2014 for inclusion in the Public Document dated on or about 7 November 2014 and relating to the proposed initial public offering (“IPO”) of the Company (“the Public Document”).

Expressions and terms defined in the Public Document have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence (AFSL) under the Corporations Act 2001. RSM Bird Cameron Corporate Pty Ltd holds the appropriate: AFSL under the Corporations Act 2001.

Scope

Historical Financial Information

You have requested RSM Bird Cameron Corporate Pty Ltd to review the following historical financial information of Paradigm (“the responsible party”) included in the Public Document:

• the Statement of Financial Performance for the period from incorporation 2 May 2014 to 30 June 2014; and
• the Statement of Financial Position as at 30 June 2014.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company’s adopted accounting policies. The historical financial information has been extracted from the financial report of Paradigm for the period from incorporation 2 May 2014 to 30 June 2014, which was audited by RSM Bird Cameron Partners in accordance with the Australian Auditing Standards. RSM Bird Cameron Partners issued an unmodified audit opinion on the financial reports. The historical financial information is presented in the Public Document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.
Pro Forma Historical Financial Information

You have requested RSM Bird Cameron Corporate Pty Ltd to review the pro forma historical Statement of Financial Position as at 30 June 2014 referred to as “the pro forma historical financial information”.

The pro forma historical financial information has been derived from the historical financial information of Paradigm after adjusting for the effects of pro forma adjustments described in section 5.2 of the Public Document. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the transactions to which the pro forma adjustments relate, as described in section 5.2 of the Public Document, as if those transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the Company’s actual or prospective financial position.

Directors’ responsibility

The directors of Paradigm are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

We made such enquiries, primarily of persons responsible for financial and accounting matters, and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a consistency check of the application of the stated basis of preparation, to the historical and pro forma historical financial information;
- a review of Paradigm’s work papers, accounting records and other documents;
- enquiry of directors, management personnel and advisors;
- consideration of the pro forma adjustments described in section 5.2 of the proposed Public Document; and
- the performance of analytical procedures applied to the historical and pro forma historical financial information.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
Conclusions
Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in section 5 of the Public Document, and comprising:

- the Statement of Financial Performance for the period from incorporation 2 May 2014 to 30 June 2014; and

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 5 of the Public Document.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information, being the Statement of Financial Position as at 30 June 2014, is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 5 of the Public Document.

Restriction on Use

Without modifying our conclusions, we draw attention to section 5 of the Public Document, which describes the purpose of the financial information, being for inclusion in the Public Document. As a result, the financial information may not be suitable for use for another purpose.

Responsibility

RSM Bird Cameron Corporate Pty Ltd has consented to the inclusion of this assurance report in the Public Document in the form and context in which it is included. RSM Bird Cameron Corporate Pty Ltd has not authorised the issue of the Public Document. Accordingly, RSM Bird Cameron Corporate Pty Ltd makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Public Document.

Declaration of Interest

RSM Bird Cameron Corporate Pty Ltd does not have any interest in the outcome of this transaction other than the preparation of this assurance report for which normal professional fees will be received. RSM Bird Cameron Partners is the independent auditor of the Paradigm and receives normal professional fees for those services.

Yours faithfully

RSM BIRD CAMERON CORPORATE PTY LTD

Jason Croall
Director

7 November 2014
7. Patent Report
Dear Sirs,

I, the undersigned, on behalf of FB Rice, acknowledge that:

(a) I am authorised to give this consent on behalf of FB Rice;

(b) the Company proposes to issue a prospectus for an offer of up to 28,571,429 million ordinary shares at an issue price of $0.35 each to raise up to A$10 million (with oversubscriptions up to a maximum raising of A$13.5 million (Prospectus); and

(c) the Prospectus may be issued in hard copy or electronic format or both.

FB Rice consents to being named in the Prospectus as "Australian Patent Attorneys" to Paradigm Biopharmaceuticals Limited (with respect to the Prospectus) in the Corporate Directory section of the Prospectus and to the inclusion of its consent to be named in section 10.13 of the Prospectus as follows:

"FB Rice

FB Rice has given and not withdrawn its written consent to be named herein as Patent Attorneys to Paradigm in the form and context in which it is so named. Other than the expert report contained in Section 7, FB Rice does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus."
FB RICE

Paradigm BioPharmaceuticals Ltd
Our Ref: CM649208
7 November 2014

This consent is given regardless of whether the Prospectus is issued in hard copy or electronic format or both.

This consent will be treated as not having been withdrawn prior to the lodgement of the Prospectus with the Australian Securities and Investments Commission, unless FB Rice notifies the Company in writing of the withdrawal of this consent before that time.

FB Rice, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of the Prospectus, other than the references specified above.

Yours sincerely
FB Rice

[Signature]

Paul Whinman
Partner
pwhinman@frice.com.au
## SCHEDULE 1

**Paradigm Health Sciences Pty Ltd**  
PCT/AU2012/00091  
*Treatment of bone marrow edema (oedema) with polysulfated polysaccharides*

<table>
<thead>
<tr>
<th>Country</th>
<th>Official No.</th>
<th>Case Status</th>
<th>Renewal Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>101103252</td>
<td>Application pending</td>
<td>Not yet due</td>
</tr>
<tr>
<td>Europe</td>
<td>12741560.2</td>
<td>Application pending</td>
<td>02-Feb-2015</td>
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<tr>
<td>United States of America</td>
<td>13/983,406</td>
<td>Application pending</td>
<td>Not yet due</td>
</tr>
<tr>
<td>Japan</td>
<td>2013-552065</td>
<td>Application pending</td>
<td>Not yet due</td>
</tr>
<tr>
<td>Canada</td>
<td>2,826,166</td>
<td>Application pending</td>
<td>02-Feb-2015</td>
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<tr>
<td>People's Republic of China</td>
<td>201280007433.9</td>
<td>Examination requested</td>
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<tr>
<td>India</td>
<td>6541/CHENP/2013</td>
<td>Application pending</td>
<td>Not yet due</td>
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<tr>
<td>Malaysia</td>
<td>PI2013701355</td>
<td>Application pending</td>
<td>Not yet due</td>
</tr>
<tr>
<td>Thailand</td>
<td>1301004283</td>
<td>Application pending</td>
<td>Not yet due</td>
</tr>
<tr>
<td>Australia</td>
<td>2012212398</td>
<td>Granted</td>
<td>02-Feb-2016</td>
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<tr>
<td>Republic of Korea</td>
<td>2013-702985</td>
<td>Application pending</td>
<td>Not yet due</td>
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<tr>
<td>Indonesia</td>
<td>W-00201304009</td>
<td>Application pending</td>
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<tr>
<td>Singapore</td>
<td>201305826-8</td>
<td>Application pending</td>
<td>Not yet due</td>
</tr>
</tbody>
</table>
### SCHEDULE 2

**Glycan Biosciences LLC**  
PCT/AU2008/000774  
* Sulphated xylans for treatment or prophylaxis of respiratory diseases *

<table>
<thead>
<tr>
<th>Country</th>
<th>Official No.</th>
<th>Case Status</th>
<th>Renewal Due</th>
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</thead>
<tbody>
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<tr>
<td>United States of America</td>
<td>12/602,384</td>
<td>Application pending</td>
<td>01-June-2015</td>
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<tr>
<td>Canada</td>
<td>2,689,027</td>
<td>Application pending</td>
<td></td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>101686996</td>
<td>Granted</td>
<td>30-May-2014*</td>
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<tr>
<td>Australia</td>
<td>2008255565</td>
<td>Application pending</td>
<td>30-May-2015</td>
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<tr>
<td></td>
<td>2014200346 (Divisional</td>
<td>Request of examination</td>
<td></td>
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<tr>
<td></td>
<td>child of 2008255565)</td>
<td>filed 13 June 2014</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>2008255565)</td>
<td>New Patents Act will apply</td>
<td>30-May-2015</td>
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<tr>
<td>New Zealand</td>
<td>581544</td>
<td>Granted</td>
<td>30-May-2015</td>
</tr>
<tr>
<td>New Zealand</td>
<td>599928</td>
<td>Granted</td>
<td>30-May-2015</td>
</tr>
<tr>
<td>New Zealand</td>
<td>601148</td>
<td>Granted</td>
<td>30-May-2015</td>
</tr>
</tbody>
</table>

*May be validly renewed up to 30 November 2014*
8. Risk Factors
8. Risk Factors

This section identifies some of the major risks associated with an investment in the Company in descending order of the Company’s assessment of the combined likelihood of a factor to occur balanced against the severity of impact of the factor occurring. Intending Applicants should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to subscribe for shares.

(a) Sufficiency of funding: The funding proposal set forth in this Prospectus is based on the Company’s best estimation of cash flow projections and estimated expenditures for a 24 month period post listing. The Company has finite financial resources and will need to raise additional funds from time to time to finance the complete development and commercialisation of its products and its other longer-term objectives. The Company’s product development activities may never generate revenues and the Company may never achieve profitability. The Company’s ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all.

(b) Risk of supply of cGMP product: The Company has engaged a third party cGMP (Good Manufacturing Practice) contract manufacturer for PPS (bene pharmaChem). The manufacturing of PPS is very complex and associated with uncertainties in relation to issues such as the price of manufacture, impurities and manufacturing capacity for large scale manufacturing. Further, the bene pharmaChem supply agreement is only for an initial term of 10 years with an option for Paradigm to extend for a further 10 years provided that within the first 10 years Paradigm has obtained regulatory approval for sale of a product incorporating PPS. While bene pharmaChem has significant experience in the manufacture of cGMP commercial quantities of PPS and the Company has the ability to order significant forward quantities of PPS, should difficulties or delays occur in the cGMP production of PPS or the supply agreement be terminated for any reason – the timing of the clinical development and/or commercialisation as outlined in the Prospectus may be affected and may have an adverse impact on the financial performance of the Company.

(c) Speculative nature of investment: Any potential investor should be aware that subscribing for Shares involves various risks. The Shares to be issued pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. The success of the Company is largely dependent on the outcome of its proposed human clinical trials of its products. An investment in Shares of the Company should therefore be considered very speculative.

(d) Innovative technological development – early clinical state of development: The Company’s product candidates are at a relatively early clinical stage and further substantial clinical development is necessary. No guarantee can be provided that the proposed clinical work will be successful or result in an approved product.

(e) Expenditure program: Paradigm has not entered into contracts for a number of the material items anticipated to be covered by the Expenditure Program (except for certain preclinical, clinical and cGMP manufacturing expenditures), nor does it have binding quotations in relation to such items. Rather, the Directors have determined that following the successful close of the Offer, Paradigm will be well positioned to negotiate the exact terms for such contracts. Paradigm has however indicative quotations for many of the major expenditures items. The Directors and executive team have extensive experience and have prepared the anticipated expenditure described in Sections 3.14 based on discussions with potential suppliers of those services and their own experience of the likely costs for those expenditure items. While the Directors are confident Paradigm will be able to source suitable suppliers, there is a risk that Paradigm may not be able to source those suppliers at the estimated expenditure in Sections 3.14.

(f) Clinical trials – regulatory requirements: Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory and legal requirements. In addition, trial design can change which may have adverse impact on cost and time of the Company’s proposed clinical trials. Clinical trials of the Company’s products could take several years to complete. Clinical development of the Company’s products may fail for a number of other reasons, including lack of efficacy or adverse side effects. Failure can occur at any stage of the trials, requiring the Company to abandon or repeat clinical trials. The Company and/or the relevant regulatory authorities, Human Research Ethics Committees, and Institutions where the clinical trials are conducted, may suspend the Company’s clinical trials at any time if it appears that the trials are exposing the trial participants and or the staff involved in conducting the clinical trial to unacceptable health risks.
(g) **Reliance on key personnel:** The Company currently employs and has plans to recruit additional key management and scientific personnel; the Company’s future depends on retaining and attracting suitably qualified personnel. The Company has included in its employment with key personnel provisions aimed at providing incentives and assisting in the recruitment and retention of such personnel. It has also, as far as legally possible, established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor or compete directly with the Company. Despite these measures, however, there is no guarantee that the Company will be able to attract and retain suitably qualified personnel, and a failure to do so could materially and adversely affect the business, operating results and financial prospects.

(h) **Dependence on service providers:** The Company intends to operate a significant amount of its key clinical activities through a series of contractual relationships with independent contractors and suppliers. The Company relies on and will continue to rely on a number of its contractors for their expertise in manufacture and clinical development. All of the Company’s contracts carry a risk that the third parties do not adequately or fully comply with its or their respective contractual rights and obligations. Such failure can lead to termination and/or significant damage to the Company’s product development efforts.

(i) **Patent rights:** The Company heavily relies for its success on its ability to obtain and maintain patent protection for the relevant therapeutic products. There is no guarantee that the patent applications detailed in Section 7 will be granted. Further, if the Company’s intellectual property rights are ever challenged it may be that the Company’s entitlement is subsequently revealed not to have existed, may not have any exclusive patent rights or any patent rights at all and may be prevented from developing and/or commercialising its products.

(j) **Trade secrets:** The Company relies on trade secrets, which include information relating to the manufacture, development and administration of its therapeutic products. The protective measures employed may not provide adequate protection for those trade secrets. This could erode the Company’s competitive advantage and materially harm its business. The Company cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology.

(k) **Infringement of third party intellectual property:** If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of patent or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that the Company incurs in defending third party infringement actions would also include diversion of management’s and technical personnel’s time. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products.

(l) **Currency risk:** Revenue and expenditures in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. The Company’s payment obligations to its cGMP supplier are in a foreign currency. There are also milestone payments which may become payable to Glycan (but not expected during the period covered by the Expenditure Program). Accordingly, payment will be made in those countries’ currencies, and may exceed the budgeted expenditure if there are adverse currency fluctuations against the Australian dollar. The Company has no plans at this stage to hedge its foreign currency payments.

(m) **Competition:** The biotechnology and pharmaceutical industries are highly competitive, and include companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. There are companies that compete with the Company’s efforts to discover, validate and commercialise therapeutic products or product candidates. The Company’s competitors may discover and develop products in advance of the Company and/or products that are more effective than those developed by the Company. As a consequence, the Company’s current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.
(n) Healthcare insurers and reimbursement: In both domestic and foreign markets, sales of products are likely to depend in part upon the availability and amounts of reimbursement from third party health care payer organisations, including government agencies, private health care insurers and other health care payers such as health maintenance organisations and self-insured employee plans. There is considerable pressure to reduce the cost of therapeutic products, particularly biologics, and government and other third party payers are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic products and by refusing, in some cases, to provide any coverage for uses of approved products for disease indications for which the Food and Drug Administration has not granted marketing approval. No assurance can be given that reimbursement will be provided by such payers at all or without substantial delay, or, if such reimbursement is provided, that the approved reimbursement amounts will be sufficient to enable the Company to sell products developed on a profitable basis.

(o) Product liability: As with all new therapeutic products, even after the granting of regulatory approval, there is no assurance that unforeseen adverse events or manufacturing defects will not arise. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of the regulatory approval for the relevant products and/or monetary damages being awarded against the Company. In such event, the Company’s liability may exceed the Company’s insurance coverage.

No Independent Valuation
No independent valuation has been undertaken of Paradigm for the purposes of the listing. Valuations of biotechnology before commercial use can be imprecise.

Market for Shares
Prior to the Offer there has been no public market for the Shares. No assurance can be given that an active market will develop in the Shares or that the Shares will trade at or above the Offer Price after the Shares have been listed on the Official List and after Official Quotation.

Share Market Volatility
Regardless of the performance of the Company, the day to day performance of the share market and general share market conditions may affect the Company and the price at which it’s shares trade on a share market, such as the ASX. The share market has in the past and may in the future be affected by a number of matters including:
> Economic conditions, in general terms and in particular to the industry that a business operates in,
> interest rates,
> market confidence,
> supply and demand for money,
> currency exchange rates,
> general economic outlook and
> changes in government policy.

Prospective Information
No assurance as to future profitability or dividends can be given as they are dependent on successful product development, future earnings and the working capital requirements of the Company.

There can be no guarantee that the assumptions on which the financial forecasts and development strategies of the Board, or those upon which the Company bases its decisions to proceed, will ultimately prove to be valid or accurate. The forecasts and development strategies depend on various factors many of which are outside the control of the Company.
8. Risk Factors

Changes in interest rates, exchange rates, government budgetary measures, relevant taxation and other legal regimes and Government policies may adversely affect the Company.

The Directors expect that the proceeds of the public capital raising and borrowings will provide sufficient capital resources to enable the Company to achieve its current business objectives. The Directors can give no assurance, however, that such objectives can be met without future financing or, if future financing is necessary, that it can be obtained on favourable terms.

Concluding Comment
The above list of risk factors ought not to be taken as an exhaustive one of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Investment in the Company must be regarded as highly speculative and neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantees that any specific objectives of the Company will be achieved or that any particular performance of the Company or of the Shares, including those offered by this Prospectus, will be achieved.
9. Taxation
9. Taxation

The following taxation summary provides a general overview of the Australian tax implications to Australian resident and non-resident investors who acquire and hold the Shares under the offer contained in this Prospectus. This summary is based on the tax laws of Australia as at the date of this Prospectus.

The Australian tax laws are complex and the following is not intended to be a complete statement of the possible implications for investors. It is your responsibility to be satisfied as to the particular taxation treatment that applies to your investment. You should seek independent professional advice with respect to the tax consequences applicable to your individual circumstances before investing.

The following discussion assumes you hold the Shares on capital account. A different treatment may apply if you hold the Shares on revenue account, for example if you are a share trader.

9.1 Australian Investors

Capital gains tax

Australian income tax laws contain a capital gains tax (CGT) regime. Shareholders who hold Shares on capital account will be subject to the CGT regime on disposal of those Shares. For CGT purposes, you acquire your Shares on the date the Shares are issued or allotted to you. The cost base and reduced cost base of Shares acquired is generally the amount you pay to acquire the Shares plus any incidental costs of acquisition and disposal of the Shares.

Gains on the disposal of Shares held on capital account will be subject to the CGT provisions. A capital gain will arise where the capital proceeds received exceed the cost base of the Shares. Conversely, you incur a capital loss where the capital proceeds received on disposal are less than the reduced cost base of the Shares.

Capital losses made in the same or prior years can typically be offset against any capital gains made in the current year. Any remaining net capital gain is included in assessable income and taxed. Where a net capital loss is incurred it may be carried forward indefinitely and offset against future capital gains subject to the loss recoupment rules.

Individuals and trusts in certain circumstances may be entitled to a 50% discount on capital gains derived where they have held the Shares as a CGT asset for 12 months or more before their disposal. Complying superannuation funds and life insurance companies holding the Shares as virtual pooled superannuation trust assets are entitled to a discount of 33.3%. Any discount would apply only after capital losses are first applied against the capital gain. Companies are not entitled to the discount.

Stamp duty

No stamp duty is payable on the issue or transfer of Shares. Under current stamp duty legislation, no stamp duty would be payable on subsequent transfers of the Shares as long as the Shares remain quoted on the ASX.

Taxation of dividends

Australian resident individuals

Dividends paid to you will be included in your assessable income in the income year they are paid. Dividends you receive may be franked or unfranked. Franked dividends have “franking credits” attached and reflect the Australian corporate tax paid on the profits out of which the dividends are paid. The dividends and any franking credits attached should be included in your assessable income.

You will be entitled to a tax offset equal to the franking credits received, provided you are a “qualified person”. In general terms, to be a qualified person two tests must be satisfied being the “holding period rule” and the “related payments rule”. These rules will, in broad terms, be satisfied where you have held the Shares at risk for at least 45 continuous days (excluding the dates of acquisition and disposal).
Australian resident trusts
Where dividends are paid to Australian resident trusts, the ultimate beneficiaries of the dividends (where they are Australian residents) will generally be entitled to a tax offset based on their share of the franking credit attached to the dividend.

The tax treatment of the dividend will depend on the type of beneficiary receiving the distribution, for example whether the beneficiary is an individual, a corporate entity or a trustee. Where it is the trust itself that is subject to tax on the dividend, then it may be entitled to offset the tax payable against the franking credit.

The benefit of the franking credit will be lost where the trust has a net loss or does not have any net income. However if the trust has at least $1 of net income, the franking credits will be able to be passed onto those beneficiaries who are presently entitled to income of the trust.

The trustee of a non-fixed trust may be required to make a family trust election in order to enable beneficiaries to utilise the franking credits.

Australian resident companies
Corporate shareholders may also be entitled to a franking credit in their franking account equal to the franking credit attached to the dividend paid. Such credit can be attached to dividends paid by the corporate shareholder to its shareholders. Certain types of taxpayers, including individuals and superannuation funds, are entitled to a refund of any excess franking credits. Companies are not able to claim a refund for excess franking credits.

Australian resident superannuation funds
The tax treatment of dividends for Australian resident superannuation funds is generally the same as that described above with respect to Australian resident individuals. Australian resident superannuation funds are generally entitled to a tax refund if franking credits exceed tax payable.

Unfranked dividends will be included in the assessable income of all Australian resident shareholders.

Goods and services tax
Under current law, Goods and Services Tax is not payable on the issue or transfer of Shares.

9.2 Non-Resident Investors
Capital gains tax
The information in this section is based on the assumption that the assets of Paradigm do not principally consist of real property in Australia.

Non-resident shareholders will not have to pay Australian tax on any capital gain that arises upon the disposal of their shareholdings.

Taxation of dividends
Dividends you receive will not be subject to dividend withholding tax to the extent the dividend is franked. However, dividend withholding tax may apply to that part of the dividend that is unfranked. The rate of dividend withholding tax rate is 30%, however this may be reduced (usually to 15%) where Australia has a Double Taxation Agreement with the Country in which the shareholder is a resident.

Non-resident investors should consult their own tax advisor for the taxation implications in their own domestic jurisdiction of this offer.
10. Additional Information
10. Additional Information

10.1 Company Information

The Company was incorporated on 2 May 2014 under the Corporations Act 2001 as a public company limited by shares. The Company will be taxed as a public company and its statutory accounts will be made up to 30 June annually. The Company acquired Paradigm Health Sciences Pty Ltd pursuant to a Share Swap Agreement.

10.2 Share capital structure

Following the completion of the Offer the shareholding structure in Paradigm will be as follows:

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>NUMBER OF SHARES - AT MINIMUM SUBSCRIPTION</th>
<th>% OWNERSHIP INTEREST</th>
<th>NUMBER OF SHARES - AT MAXIMUM SUBSCRIPTION</th>
<th>% OWNERSHIP INTEREST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Shareholders</td>
<td>42,942,857</td>
<td>53.43%</td>
<td>42,942,857</td>
<td>47.52%</td>
</tr>
<tr>
<td>Shares issued under Employee Share Plan</td>
<td>1,800,000</td>
<td>2.24%</td>
<td>1,800,000</td>
<td>1.99%</td>
</tr>
<tr>
<td>Pre IPO seed investors</td>
<td>7,057,143</td>
<td>8.78%</td>
<td>7,057,143</td>
<td>7.81%</td>
</tr>
<tr>
<td>New Shares offered under this Prospectus</td>
<td>28,571,429</td>
<td>35.55%</td>
<td>38,571,429</td>
<td>42.68%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80,371,429</strong></td>
<td><strong>100%</strong></td>
<td><strong>90,371,429</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

10.3 Company’s Constitution:

Rights attaching to Shares: The Shares offered under this Prospectus are fully paid ordinary shares in the capital of Paradigm. A summary of the more significant rights attaching to the Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Paradigm members.

- **Ranking** – The Shares will be ordinary shares and will rank equally in all respects with the ordinary shares in Paradigm on issue prior to the date of this Prospectus.
- **Reports and notices** – Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution of Paradigm and the Corporations Act.
- **General meetings** – Subject to any preferential or special rights attaching to any shares that may be issued by Paradigm in the future, members are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of Paradigm. Members may requisition general meetings in accordance with the Corporations Act and the Constitution of Paradigm.
- **Voting** – At a general meeting of Paradigm every ordinary member present in person, or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every member present in person or by proxy, attorney or representative has one vote for every share held.
- **Reduction of capital** – Subject to the Corporations Act and Listing Rules, Paradigm may resolve to reduce its share capital by any lawful manner as the Directors or shareholders may approve.
- **Winding up** – Members will be entitled in a winding up to share in any surplus assets of Paradigm in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.
- **Transfer of Shares** – Shares in Paradigm may be transferred in any form authorised by the Corporations Act or approved by the Directors and in the manner prescribed by the Constitution of Paradigm, the Corporations Act, the Listing Rules or the SCH Business Rules. The Directors may subject to the Listing Rules and the SCH Business Rules, request the SCH to place a holding lock to prevent any SCH transfer of shares. The Directors may refuse to register a paper based transfer of a share in particular circumstances.
10. Additional Information

> **Issue of further Shares** – The Directors control the allotment, issue, grant of options in respect of and disposal of shares. Subject to restrictions on the allotment of shares and grant of options to Directors or their associates and the Corporations Act, the Directors may allot, grant options or otherwise dispose of shares on such terms and conditions as they see fit.

> **Takeover approval provisions** – Any proportional takeover scheme must be approved by those members holding shares included in the class of shares in respect of which the offer to acquire those shares was first made. The registration of the transfer of any shares following the acceptance of an offer made under a scheme is prohibited until that scheme is approved by the relevant members.

> **Application of Listing Rules** – On admission to the Official List of the ASX then, despite anything in the Constitution of Paradigm, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require a Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of that inconsistency.

**10.4 CHESS**

The Company will apply to be admitted to participate in CHESS, in accordance with the ASX Listing Rules and the SCH Business Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company’s principal register of Shares.

The Company will not issue certificates to Shareholders. Shareholders who elect to hold Shares on the issuer-sponsored sub-register will be provided with a holding statement (similar to a bank account statement), which sets out the number of Shares allotted to the Shareholder under this Prospectus. For Shareholders who elect to hold the Shares on the CHESS sub-register, the Company will issue an advice that sets out the number of Shares allotted to the Shareholder under this Prospectus. At the end of the month of allotment, CHESS (acting on behalf of the Company) will provide Shareholders with a holding statement that confirms the number of Shares (as the case may be) held.

A holding statement (whether issued by CHESS or the Company) will also provide details of a Shareholder’s Holder Identification Number in the case of a holding on the CHESS sub-register or Shareholder Reference Number in the case of a holding in the issuer-sponsored sub-register. Following distribution of these initial holding statements to all Shareholders, a holding statement will also be provided to each Shareholder at the end of any subsequent month during which the balance of that Shareholder’s holding of Shares changes.

**10.5 Restricted Securities and Escrow Arrangements**

ASX may, as a condition of granting the Company’s application for Official Quotation of its Shares, classify certain of its Existing Shares as restricted securities. Any such classification will restrict the transfer of effective ownership or control of any restricted securities without the written consent of the ASX and for such period as the ASX may determine. The terms of any such restriction or escrow arrangements will be determined by the ASX in accordance with the ASX Listing Rules. Details of any such restriction or escrow arrangements will be disclosed prior to commencement of Official Quotation of the Company’s Shares.

**10.6 Index to Material Contracts**

The following contracts are considered by the Directors to be material for the purposes of this Prospectus or may be relevant to a potential investor and have been divided into the following categories:

> **Section 10.7** – the Glycan purchase agreement pursuant to which Paradigm acquired certain patents and intellectual property rights from Glycan.
> **Section 10.8** – material contracts relating to other operational agreements with the Company (e.g. bene pharmaChem supply agreement).
> **Section 10.9** – Lead Manager & Broker engagement terms.
> **Section 10.10** – other operational agreements.
10.7 Material Contracts – Glycan Asset Purchase

In August 2014 Paradigm entered an asset purchase agreement (Purchase Agreement) with Glycan Biosciences LLC, of Philadelphia, USA (Glycan) pursuant to which Paradigm agreed to purchase Glycan’s unencumbered legal title to its intellectual property rights in certain patents and patent applications (described below) together with all supporting documents, specifications, relevant information and data and test results relating to the Patent, including all in vitro and in vivo reports (collectively Patents).

The Patents comprise International Patent Application PCT/AU2008/000774, the national patent applications based on PCT/AU2008/00077 (as described in section 7) and any and all patents issued there from in any country; any and all divisions, continuations, continuations-in-part, patents of addition, reissues, extensions, registrations, European validated patents, re-examinations, any provisional applications, supplementary protection certificates or the like and all international equivalents of the above. At this stage Paradigm intends to apply the Patents in order to produce products for the treatment of respiratory diseases (Products).

Paradigm will take a transfer of the title to the Patents subject to satisfaction of various conditions – which relate to Paradigm being satisfied as to its due diligence of the Patents, Paradigm raising the IPO funding proposed pursuant to this Prospectus and securing conditional approval from the ASX for the listing of Paradigm. The Purchase Price comprises an initial cash payment of $460,000 (USD$400,000 assuming exchange rate of AUD$1 = USD$0.87) (payable within 14 days after completion) and various milestone and royalty payments related to first patient recruitment in a Phase 1 clinical trial and upon annual net sales of Products exceeding US$100 million.

Paradigm has agreed with Glycan that if Paradigm successfully achieves the primary end points for a Phase 1 clinical trial in respect of a Product, then thereafter Paradigm is to use commercially reasonable efforts to continue to develop, commercialize, market and sell the Products. If Paradigm discontinues any prosecution of any of the patent applications, Glycan has an option to acquire any such discontinued patent at cost from Paradigm.

Prior to completion Glycan must ensure that the Patents are maintained, prosecuted and protected in accordance with normal and prudent practice, including consulting and seeking Paradigm approval for all material decisions concerning the patents. Glycan will also for a period of 3 months following completion provide Paradigm with some technical assistance in relation to the patents, including access to Glycan’s know how.

Glycan provided Paradigm with the customary commercial warranties afforded a purchaser, including warranties as to legal title, no encumbrances, complete assignment of all relevant intellectual property rights, no withholding of any material information and no current or pending litigation concerning the Patents. Glycan is also bound by the usual obligations to maintain confidentiality concerning the Patents.

10.8 bene pharmaChem Supply Agreement with Paradigm

Paradigm has entered a 10 year supply agreement (with an option to extend for a further 10 years provided that within the first 10 years Paradigm has obtained regulatory approval for sale of a product incorporating PPS) with bene pharmaChem. (Supply Agreement) which includes the following key terms:

- **Within the Territory:**
  
  Pursuant to the Supply Agreement, Paradigm has agreed to exclusively purchase from bene pharmaChem and bene pharmaChem has agreed to supply exclusively to Paradigm, PPS (in bulk ware form) for use within the **Territory** (Australia, New Zealand, Philippines, Indonesia, Thailand, Singapore, Vietnam, Taiwan, Myanmar (Burma), Brunei (Darussalam), Cambodia, Laos and Malaysia) within the **Field** (Bone Marrow Edema, Asthma, Rhinitis and chronic obstructive pulmonary disease). In addition to the agreed purchase price, Paradigm agrees to pay bene pharmaChem a commercial rate of royalties on net sales of products by Paradigm (made by Paradigm using this PPS) throughout the term of the Agreement.

- **Outside the Territory**
  
  Where Paradigm pursues regulatory approval for commercial sale of products incorporating PPS outside the Territory and within the Field, bene pharmaChem has a first right of refusal for 90 days to supply Paradigm with bene pharmaChem PPS, in which case bene pharmaChem can decide (with respect to outside the Territory):
10. Additional Information

1. to exclusively supply Paradigm and Paradigm will exclusively purchase from bene pharmaChem all requirements for bulk ware form of PPS, in which case the purchase price and royalty rate remain the same as for the initial Territory above, or

2. to non exclusively supply Paradigm and Paradigm will exclusively purchase from bene pharmaChem, the PPS, in which case the purchase price and royalty rate are both reduced significantly, or

3. not to supply Paradigm any PPS in bulk ware form, in which case Paradigm is free to source PPS bulk ware from any other supplier other than bene pharmaChem and no royalty is payable to bene pharmaChem.

Under the Supply Agreement bene pharmaChem’s PPS is to be manufactured in a cGMP production facility (which is owned by bene pharmaChem) and audited by the US FDA.

The Supply Agreement includes a grant to Paradigm of a ‘Right of Reference’ to the bene pharmaChem drug master file (DMF) and other preclinical and clinical safety data. This data is anticipated to allow Paradigm to (i) expedite commencement of the clinical trials, which are the subject of the Expenditure Program under this Prospectus and (ii) file an new drug application (NDA) with regulatory authorities relying on previously published safety data and bene pharmaChem’s DMF.

10.9 Lead Manager & Broker Agreement

The Company has entered into an agreement with Lodge Corporate Pty Ltd to act as Lead Manager and Broker to the Offer (Lead Manager). The agreement provides for payment of management and transaction fees totalling 6% per cent (plus GST) in aggregate of the total amount raised under this Prospectus. Certain other ‘out of pocket’ expenses as referred to in the Agreement are also payable.

10.10 Operational agreements

Agreements: Staff and Consultants

The Company has entered into agreements with staff and consultants. Each of these agreements contains a confidentiality clause. The terms of those agreements with regards to confidentiality are standard in that they impose restrictions on the disclosure of confidential information and restrictions on the use of confidential information, except for the purposes for which it has been disclosed. The agreements are subject to the usual exclusions in relation to information that was in the public domain when disclosed, that comes into the public domain after disclosure, other than as a result of the recipient’s breach of the agreement or was in the recipient’s possession when disclosed. Some agreements contain other exclusions relating to disclosure required by law to the extent required to be so disclosed.

Directors’ deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. The key features of this deed may be summarised as follows:

> to the extent permitted by law, the Company:

(a) indemnifies each of the Directors against any liability (excluding liability for legal costs) incurred by the Director as an officer or former officer of the Company;

(b) indemnifies the Director against any reasonable legal costs incurred as a result of the Director defending an action for any liability incurred by the Director as an officer or former officer of the Company;

(c) releases the Director from any present, future or contingent claims that arise directly or indirectly from the Director’s position acts or omissions as an officer or former officer of the Company;

> the Company must, where possible, maintain appropriate insurance cover in favour of the Director during the term of the Director’s appointment for at least a period of seven years after the Director ceases to be an officer of the Company on terms that are reasonably prudent to the Company;

> the Director, during his or her appointment and for a period of ten years after the Director ceases to be an officer of the Company, may inspect any books and records of the Company in certain circumstances and for particular purposes; and
> the Director is entitled to retain any board documents, including minutes of board meetings or committees. These documents will become the property of the Director at the time they are supplied to the Director. Notes of board meetings or other communications made by the Director will remain the property of the Director.

**Executive Share Plan**

The Company has adopted an executive share plan (Plan) to foster an ownership culture within the Company and to motivate senior management and Directors to achieve performance targets of the Company. Selected senior management of the Company and the Directors are eligible to participate in the Plan at the absolute discretion of the Board.

Shares allotted and issued under the Plan must rank equally in all respects with other Shares from the date of allotment and issue, subject to satisfaction of any applicable disposal restrictions.

The aggregate number of Shares which may be issued pursuant to the Plan, (when aggregated with all Shares issued under all other employee incentive plans), shall not at any time exceed 5% of the total number of issued Shares. The Company may offer with an invitation to participate in the Plan, a limited recourse loan to assist in funding the issue price in respect of the relevant Shares. The loan may be interest free, with a maximum repayment term of up to 5 years and trading in the relevant Shares would be restricted until the loan is repaid. The Shares issued may be subject to vesting conditions. In the event the relevant employee/director ceases to be engaged by the Company, the loan must be repaid or the Shares returned to the Company for cancellation as repayment of the loan.

The issue price of Shares issued and to be issued under the Plan is to be determined from time to time by the Board, subject to any variation under rules of the Plan, to reflect the then market value of the relevant Shares as at the time of allotment.

### 10.11 Corporate Governance

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals, and monitoring of the business and affairs of the Company on behalf of its members.

The Company is cognisant of the Principles of Good Corporate Governance and Best Practice Recommendations as published by ASX Corporate Governance Council and acknowledges that the 8 principles set out therein are fundamental to good corporate governance. The Board will comply with Listing Rule 4.10 which requires the Company to provide a statement in its annual return disclosing the extent to which those best practice recommendations are following in any reporting period and to identify any recommendations not followed and provide reasons for their not being followed.

The Board believes that the structure of the Company, its management and business practices provide a basis of governance which meets the essential corporate governance principles articulated by ASX in that publication. One of the key objectives of the Board is to ensure timely, transparent and accurate communication with all members and compliance with all regulatory requirements. To this effect the Board has established a number of Committees.

The Board has formally adopted a Corporate Governance Policy for the Company. Under this Policy, the Board will establish:

> An Audit and Risk Committee whose primary function is to monitor and review the effectiveness of the Company’s control environment in the areas of operational risk, legal and regulatory compliance and financial reporting. The Audit and Risk Committee also has the responsibility for the review of the Company's Corporate Governance Policy.

> A Nomination and Remuneration Committee whose primary function is to review the composition of the Board to ensure that the Board has an appropriate mix of expertise and experience, review the fees payable to both executive and non-executive directors and review and advise the Board in relation to chief executive officer succession planning.
10. Additional Information

10.12 Directors’ Share Qualifications, Remuneration and Interests

Except as disclosed in the Prospectus, no Director or proposed Director of the Company, or firm in which a Director or proposed Director is a partner, has any interest, nor has had any interest for registration, or has received or is entitled to receive any sum for services rendered by either him or the firm to induce him to become or qualify him as a Director, or otherwise in connection with the promotion or formation of the Company or in the property proposed to be acquired by the Company in connection with its promotion or formation.

Shareholding qualifications & remuneration

The Directors are not required under the Constitution of the Company to hold any Shares in order to qualify as Directors.

The Constitution provides the Directors are entitled to remuneration for their services as Directors as determined by the Company in general meeting. A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for any disbursements or any other out of pocket expenses incurred as a result of the directorship or any special duties.

Directors' interests in securities

Set out below are details of the interests of the Directors in the Shares and other securities of the Company immediately prior to lodgement of the Prospectus with the ASIC for registration. Interests include those held directly and indirectly.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Annual Remuneration</th>
<th>Shares Directly Held (Including Under the Company’s Share Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graeme Kaufman</td>
<td>Non Executive Chairman</td>
<td>$110,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Paul Rennie</td>
<td>Managing Director</td>
<td>$280,000*</td>
<td>23,865,973</td>
</tr>
<tr>
<td>Christopher Fullerton</td>
<td>Non Executive Director</td>
<td>$55,000</td>
<td>300,000</td>
</tr>
<tr>
<td>John Gaffney</td>
<td>Non Executive Director</td>
<td>$55,000</td>
<td>300,000</td>
</tr>
</tbody>
</table>

Other interests of Directors

* The Company has entered into an executive employment contract with Mr Paul Rennie as managing director under which Mr Rennie will be paid the annual base remuneration as outlined above together with short term incentives based on key performance indicators which in aggregate can not exceed 25% of the annual base remuneration.

* The Shares detailed above as held by Messrs Kaufman, Fullerton and Gaffney have been allotted under the Company’s Executive Share Plan (see Section 10.10) and the Company provided an interest free limited recourse loan for the purchase price of these Shares, repayable on the expiry of 5 years.

10.13 Interests and Consents of Experts

Except as disclosed in this Prospectus:

> No expert, or firm in which any expert is a partner, has any interest that existed when a copy of the Prospectus was lodged with the ASIC for registration, nor had any such interest within 2 years before lodgement of the Prospectus for registration, in the promotion of the Company or has received or is entitled to receive any sum for services rendered by the expert or the firm in connection with the promotion or formation of the Company, or in any property proposed to be acquired by the Company in connection with the promotion or formation.

> No amounts have been paid or agreed to be paid to any expert, or any firm in which any expert is a partner, for services rendered in connection with the promotion or formation of the Company.
In accordance with the terms of their engagement RSM Bird Cameron Corporate Pty Ltd has prepared its Investigating Accountant’s Report which forms part of this Prospectus. In aggregate, RSM Bird Cameron Corporate Pty Ltd (as Investigating Accountant for the Company) and RSM Bird Cameron Partners (as auditor for the Company) will be paid $15,000 (plus GST) for services provided in connection with this Offer and may receive further payments in accordance with its normal time based charges.

In accordance with the terms of their engagement, K&L Gates as Legal Advisors for the Company will be paid $193,129 (plus GST) for services provided in connection with this Offer and may receive further payments in accordance with its normal time based charges.

In accordance with the terms of their engagement, F B Rice as Patent Attorneys for the Company will be paid $20,000 (plus GST) for the provision of its Patent Attorney Report (which forms part of this Prospectus) and may receive further payments in accordance with its normal time based charges.

In accordance with the terms of their engagement, Lodge Corporate Pty Ltd as Lead Manager and Broker will be paid aggregate fees of up to 6% plus GST of the amount raised under this Prospectus depending upon the amount raised pursuant to the Offer) for management fees and commission in connection with this Offer.

**RSM Bird Cameron Corporate Pty Ltd – Investigating Accountant**

RSM Bird Cameron Corporate Pty Ltd has given and not withdrawn its written consent to being named as Investigating Accountant for Paradigm in the Prospectus in the form and context in which it is named and the issue of the Prospectus with its Investigating Accountant’s Report dated 7 November 2014 in the form and context in which it is included and to all references to that report in the Prospectus in the form and context in which those references are included.

RSM Bird Cameron Corporate Pty Ltd has only participated in the preparation of the Prospectus to the extent of preparing its Investigating Accountant’s Report. RSM Bird Cameron Corporate Pty Ltd was not involved in the preparation of any other part of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus.

Except as provided above RSM Bird Cameron Corporate Pty Ltd does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for any statement in or omissions from this Prospectus.

**RSM Bird Cameron Partners – Auditor**

RSM Bird Cameron Partners has given and not withdrawn its written consent to being named as Auditor for Paradigm in the Prospectus in the form and context in which it is named.

RSM Bird Cameron Partners was not involved in the preparation of any part of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus.

RSM Bird Cameron Partners does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for any statement in or omissions from this Prospectus.

**K&L Gates**

K&L Gates has given and not withdrawn its written consent to be named herein as Australian legal advisers to Paradigm in the form and context in which it is so named. K&L Gates does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

**F B Rice**

F B Rice has given and not withdrawn its written consent to be named herein as Patent Attorneys to Paradigm in the form and context in which it is so named. Other than the expert report contained in Section 7, F B Rice does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.
10. Additional Information

Computershare Investor Services Pty Limited – Share Registry

Computershare Investor Services Pty Limited (Computershare) has given and not withdrawn its written consent to be named herein as the share registry to Paradigm in the form and context in which it is so named. Computershare does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

Lodge Corporate Pty Ltd

Lodge Corporate Pty Ltd has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Lead Manager and Broker to the offer of securities under this Prospectus, in the form and context in which it is named.

Lodge Corporate Pty Ltd was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Lodge Corporate Pty Ltd makes no express or implied representation or warranty in relation to Paradigm Limited, this Prospectus or the offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Lodge Corporate Pty Ltd. To the maximum extent permitted by law, Lodge Corporate Pty Ltd expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

10.14 Costs of the Offer

If the Offer proceeds, the total estimated costs of the Offer, including legal fees incurred, registration fees, fees for other advisors, prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately $913,392 if the minimum funds are raised under the Offer. The costs of the Offer will be approximately $1,123,392 if the maximum funds are raised under the offer.

10.15 Legal Proceedings

There is no litigation of a material nature or threatened which may significantly affect the Company or its activities.

10.16 Authorisation

This Prospectus is issued by the authority of the Board of the Company.

Dated: 7 November 2014

Mr Graeme Kaufman
Non-Executive Chairman
Paradigm Biopharmaceuticals Limited
11. Glossary
## 11. Glossary

In this Prospectus, unless the context otherwise requires:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ or A$</td>
<td>means Australian dollars.</td>
</tr>
<tr>
<td>AEST</td>
<td>means Australian Eastern Standard Time.</td>
</tr>
<tr>
<td>Applicant</td>
<td>means a person who makes an application for Shares.</td>
</tr>
<tr>
<td>Application</td>
<td>means an application for Shares under this Prospectus made by an Applicant</td>
</tr>
<tr>
<td>Application Form</td>
<td>under an Application Form.</td>
</tr>
<tr>
<td>ASIC</td>
<td>means the Australian Securities and Investments Commission.</td>
</tr>
<tr>
<td>ASTC</td>
<td>means the ASX Settlement and Transfer Corporation Limited ACN 008 504 532.</td>
</tr>
<tr>
<td>ASTC Settlement Rules</td>
<td>means the settlement rules of ASTC from time to time.</td>
</tr>
<tr>
<td>ASX</td>
<td>means the ASX Limited ACN 008 624 691.</td>
</tr>
<tr>
<td>ASX Listing Rules</td>
<td>means the official listing rules of the ASX.</td>
</tr>
<tr>
<td>Board</td>
<td>means the board of directors of the Company.</td>
</tr>
<tr>
<td>Business Day</td>
<td>means a day that is not a Saturday or Sunday or a public holiday in Victoria.</td>
</tr>
<tr>
<td>BME</td>
<td>means bone marrow edema (or often commonly referred to as bruising of the bone).</td>
</tr>
<tr>
<td>CHESS</td>
<td>means the clearing house electronic sub-register system.</td>
</tr>
<tr>
<td>Closing Date</td>
<td>means the date on which the Offer closes.</td>
</tr>
<tr>
<td>Company</td>
<td>means Paradigm Biopharmaceuticals Limited ACN 169 346 963.</td>
</tr>
<tr>
<td>Constitution</td>
<td>means the constitution of the Company.</td>
</tr>
<tr>
<td>Corporations Act</td>
<td>means the Corporations Act 2001 (Cth).</td>
</tr>
<tr>
<td>Directors</td>
<td>means the directors of the Company from time to time.</td>
</tr>
<tr>
<td>Existing Shares</td>
<td>means the issued Shares immediately prior to the allotment of Shares under the Offer.</td>
</tr>
<tr>
<td>Expenditure Program</td>
<td>means the anticipated expenditures to be incurred by the Company and funded by the capital raising under this Prospectus as detailed in Section 3.14.</td>
</tr>
<tr>
<td>Exposure Period</td>
<td>means the period of 7 days (or 14 days if extended by ASIC) after the lodgement of the Prospectus with the ASIC during which the Company may not accept Applications.</td>
</tr>
<tr>
<td>FDA</td>
<td>means the U.S. Food and Drug Administration.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Glycan</td>
<td>means Glycan Biosciences LLC, of Philadelphia, USA.</td>
</tr>
<tr>
<td>Interstitial cystitis or bladder pain syndrome</td>
<td>is a chronic inflammatory condition of the submucosal and muscular layers of the bladder.</td>
</tr>
<tr>
<td>IP</td>
<td>means intellectual property, or intellectual property rights, as the context requires.</td>
</tr>
<tr>
<td>Lead Manager</td>
<td>means Lodge Corporate Pty Ltd ACN 125 323 168.</td>
</tr>
<tr>
<td>Listing or Listed</td>
<td>means the admission of the Shares to quotation on the ASX in accordance with ASX Listing Rules.</td>
</tr>
<tr>
<td>Listing Date</td>
<td>means the date Listing occurs.</td>
</tr>
<tr>
<td>Offer</td>
<td>means the offer of up to 28,571,429 million ordinary Shares (with acceptances of oversubscriptions up to a further 10,000,000 Shares) under this Prospectus.</td>
</tr>
<tr>
<td>Offer Price</td>
<td>means $0.35 per Share.</td>
</tr>
<tr>
<td>Official List</td>
<td>means the official list of the ASX.</td>
</tr>
<tr>
<td>Official Quotation</td>
<td>means official quotation of the Shares on the Official List.</td>
</tr>
<tr>
<td>Opening Date</td>
<td>means the date the Offer opens as described in Section 1</td>
</tr>
<tr>
<td>Phlebitis</td>
<td>is the inflammation of a vein, usually in the legs. It most commonly occurs in superficial veins.</td>
</tr>
<tr>
<td>Prospectus</td>
<td>means this document dated 7 November 2014.</td>
</tr>
<tr>
<td>PPS or pentosan polysulphate sodium</td>
<td>is semi-synthetic drug manufactured from European beech-wood hemicellulose by sulphate esterification.</td>
</tr>
<tr>
<td>SCH Business Rules</td>
<td>means the business rules of the Securities Clearing House established under the Corporations Act for settlement of transactions of securities of a company for which Clearing House Electronic Sub-Register System approval has been given.</td>
</tr>
<tr>
<td>Share</td>
<td>means a fully paid ordinary share in the issued capital of the Company.</td>
</tr>
<tr>
<td>Shareholder</td>
<td>means a person who holds Shares.</td>
</tr>
<tr>
<td>Share Registry</td>
<td>means Computershare Investor Services Pty Limited (ABN 48 078 279 277).</td>
</tr>
<tr>
<td>TGA</td>
<td>means Therapeutics Goods Administration.</td>
</tr>
<tr>
<td>Thrombosis</td>
<td>means a blood clot that forms in a vein, for example a deep vein thrombosis (DVT) is a blood clot that forms in the legs.</td>
</tr>
<tr>
<td>Thrombosis prophylaxis</td>
<td>means prevention of Thrombosis (blood clot in the vein).</td>
</tr>
</tbody>
</table>
This page has been left blank intentionally.
Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional advisor without delay.

You should read the Prospectus dated 7 November 2014 and any relevant supplementary prospectus (if applicable), carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary Prospectus (whether in paper or electronic form).

A I/we apply for

Number of Shares in Paradigm Biopharmaceuticals Limited (Paradigm) at A$0.35 per Share or such lesser number of Shares which may be allocated to me/us.

B I/we lodge full Application Money

A$.............................................................................................................

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name

Given Name(s)

Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter the postal address - include State and Postcode

Unit

Street Number

Street Name or PO Box/Other information

City/Suburb/Town

State

Postcode

E Enter your contact details

Contact Name

Telephone Number - Business Hours

CHESS Participant

Holder Identification Number (HIN)

X.............................................................................................................

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

F Payment details - Please note that funds are unable to be directly debited from your bank account

Drawer

Cheque Number

BSB Number

Account Number

Amount of cheque A$.............................................................................................................

Make your cheque, bank draft or money order payable to 'Paradigm Biopharmaceuticals Limited - Share Subscription Account'.

By submitting this Application Form:

• I/we declare that this Application is complete and lodged according to the Prospectus, and any relevant supplementary Prospectus, and the declarations/statements on the reverse of this Application Form,
• I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are correct and accurate, and
• I/we agree to be bound by the Constitution of Paradigm.

See overleaf for completion guidelines
How to complete this Application Form

A Number of Shares applied for
Enter the number of Shares you wish to apply for. The Application must be for a minimum of 5,715 Shares (A$2,000.25). Applications for greater than 5,715 Shares must be in multiples of 1,000 Shares (A$350.00).

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Issue Price of A$0.35.

C Applicant Name(s)
Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

F CHESS
Paradigm will apply to the ASX to participate in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares issued to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on issue, you will be sponsored by Paradigm and allocated a Securityholder Reference Number (SRN).

G Payment
Make your cheque, bank draft or money order payable in Australian dollars to ‘Paradigm Biopharmaceuticals Limited - Share Subscription Account’ and cross it ‘Not Negotiable’. Cheques must be drawn from an Australian bank. Cash will not be accepted. The total payment amount must agree with the amount shown in Step B. Complete the cheque details in the boxes provided. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be represented any may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form. Receipts will not be forwarded. Funds cannot be directly debited from your bank account.

Before completing the Application Form the Applicant(s) should read this Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in Paradigm is upon and subject to the terms of the Prospectus and the Constitution of Paradigm, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application
Application Forms must be received by Computershare Investor Services Pty Limited (CIS) by no later than 5.00pm AEDT on 12 December 2014. You should allow sufficient time for this to occur. Return the Application Form with cheque, bank draft or money order attached to:

Paradigm Biopharmaceuticals Limited Share Offer
Computershare Investor Services Pty Limited
GPO Box 52
MELBOURNE VIC 3001

Neither CIS nor Paradigm accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Notice
The personal information you provide on this form is collected by CIS, as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer’s administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

Correct forms of registrable title(s)
Note that ONLY legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

<table>
<thead>
<tr>
<th>Type of Investor</th>
<th>Correct Form of Registration</th>
<th>Incorrect Form of Registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual: Use given names in full, not initials</td>
<td>Mr John Alfred Smith JA Smith</td>
<td>ABC Pty Ltd ABC P/L or ABC Co</td>
</tr>
<tr>
<td>Company: use the company’s full title, not abbreviations</td>
<td>ABC Pty Ltd</td>
<td>Peter Robert &amp; Louise S Williams</td>
</tr>
<tr>
<td>Joint Holdings: use full and complete names</td>
<td>Mr Peter Robert Williams &amp; Ms Louise Susan Williams</td>
<td>Sue Smith Family Trust</td>
</tr>
<tr>
<td>Trusts: use the trustee(s) personal name(s)</td>
<td>Mrs Susan Jane Smith &lt;Sue Smith Family A/C&gt;</td>
<td>Estate of late John Smith or John Smith Deceased</td>
</tr>
<tr>
<td>Deceased Estates: use the executor(s) personal name(s)</td>
<td>Ms Jane Mary Smith &amp; Mr Frank William Smith &lt;Est John Smith A/C&gt;</td>
<td>John Smith and Son</td>
</tr>
<tr>
<td>Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation</td>
<td>Mr John Alfred Smith &lt;Peter Smith A/C&gt;</td>
<td>Master Peter Smith</td>
</tr>
<tr>
<td>Partnerships: use the partners personal names</td>
<td>Mr John Robert Smith &amp; Mr Michael John Smith &lt;John Smith and Son A/C&gt;</td>
<td>ABC Tennis Association</td>
</tr>
<tr>
<td>Long Names</td>
<td>Mr John William Alexander Robertson-Smith</td>
<td>ABC Tennis Association</td>
</tr>
<tr>
<td>Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)</td>
<td>Mr Michael Peter Smith &lt;ABC Tennis Association A/C&gt;</td>
<td></td>
</tr>
<tr>
<td>Superannuation Funds: use the name of the trustee of the fund</td>
<td>Jane Smith Pty Ltd &lt;Super Fund A/C&gt;</td>
<td>Jane Smith Pty Ltd Superannuation Fund</td>
</tr>
</tbody>
</table>
Application Form

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You should read the Prospectus dated 7 November 2014 and any relevant supplementary prospectus (if applicable), carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary Prospectus (whether in paper or electronic form).

A I/we apply for

Number of Shares in Paradigm Biopharmaceuticals Limited (Paradigm) at A$0.35 per Share or such lesser number of Shares which may be allocated to me/us.

B I/we lodge full Application Money

A$ ________________________________

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name

Given Name(s) Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter the postal address - include State and Postcode

Unit Street Number Street Name or PO Box/Other information

City/Suburb/Town

State Postcode

E Enter your contact details

Contact Name

Telephone Number - Business Hours

F CHESS Participant

Holder Identification Number (HIN)

X ________________________________

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

G Payment details - Please note that funds are unable to be directly debited from your bank account

Drawer Cheque Number BSB Number Account Number Amount of cheque

Make your cheque, bank draft or money order payable to 'Paradigm Biopharmaceuticals Limited - Share Subscription Account'.

By submitting this Application Form:

• I/we declare that this Application is complete and lodged according to the Prospectus, and any relevant supplementary Prospectus, and the declarations/statements on the reverse of this Application Form,

• I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate, and

• I/we agree to be bound by the Constitution of Paradigm.

See overleaf for completion guidelines
How to complete this Application Form

A Number of Shares applied for
Enter the number of Shares you wish to apply for. The Application must be for a minimum of 5,715 Shares (A$2,000.25). Applications for greater than 5,715 Shares must be in multiples of 1,000 Shares (A$350.00).

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Issue Price of A$0.35.

C Applicant Name(s)
Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

F CHESS
Paradigm will apply to the ASX to participate in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares issued to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on issue, you will be sponsored by Paradigm and allocated a Securityholder Reference Number (SRN).

G Payment
Make your cheque, bank draft or money order payable in Australian dollars to ‘Paradigm Biopharmaceuticals Limited - Share Subscription Account’ and cross it ‘Not Negotiable’. Cheques must be drawn from an Australian bank. Cash will not be accepted.

Privacy Notice
The personal information you provide on this form is collected by CIS, as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain security registers or to third parties upon direction by the issuer where related to the issuer’s administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

Correct forms of registrable title(s)
Note that ONLY legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

<table>
<thead>
<tr>
<th>Type of Investor</th>
<th>Correct Form of Registration</th>
<th>Incorrect Form of Registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual: use given names in full, not initials</td>
<td>Mr John Alfred Smith JASmith</td>
<td>JA Smith</td>
</tr>
<tr>
<td>Company: use the company’s full title, not abbreviations</td>
<td>ABC Pty Ltd ABC P/L or ABC Co</td>
<td>Peter Robert &amp; Louise S Williams</td>
</tr>
<tr>
<td>Joint Holdings: use full and complete names</td>
<td>Mr Peter Robert Williams &amp; Ms Louise Susan Williams</td>
<td>Peter Robert &amp; Louise S Williams</td>
</tr>
<tr>
<td>Trusts: use the trustee(s) personal name(s)</td>
<td>Mrs Susan Jane Smith &lt;Sue Smith Family A/C&gt;</td>
<td>Sue Smith Family Trust</td>
</tr>
<tr>
<td>Deceased Estates: use the executor(s) personal name(s)</td>
<td>Ms Jane Mary Smith &amp; Mr Frank William Smith &lt;Est John Smith A/C&gt;</td>
<td>Estate of late John Smith or John Smith Deceased</td>
</tr>
<tr>
<td>Minor (person under the age of 18): use the name of a responsible adult with an appropriate designation</td>
<td>Mr John Alfred Smith &lt;Peter Smith A/C&gt;</td>
<td>Master Peter Smith</td>
</tr>
<tr>
<td>Partnerships: use the partners personal names</td>
<td>Mr John Robert Smith &amp; Mr Michael John Smith &lt;John Smith and Son A/C&gt;</td>
<td>John Smith and Son</td>
</tr>
<tr>
<td>Long Names</td>
<td>Mr John William Alexander Robertson-Smith</td>
<td>Mr John W A Robertson-Smith</td>
</tr>
<tr>
<td>Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)</td>
<td>Mr Michael Peter Smith &lt;ABC Tennis Association A/C&gt;</td>
<td>ABC Tennis Association</td>
</tr>
<tr>
<td>Superannuation Funds: use the name of the trustee of the fund</td>
<td>Jane Smith Pty Ltd &lt;Super Fund A/C&gt;</td>
<td>Jane Smith Pty Ltd Superannuation Fund</td>
</tr>
</tbody>
</table>
Corporate Directory

**Directors**
Mr Graeme Kaufman, Non-Executive Chairman  
Mr Paul Rennie, Managing Director  
Mr Christopher Fullerton, Non-Executive Director  
Mr John Gaffney, Non-Executive Director

**Chief Financial Officer and Company Secretary**
Mr Kevin Hollingsworth

**Registered Office**
Level 2, 517 Flinders Lane  
Melbourne, Victoria 3000

**Share Registry**
ComputerShare Investor Services Pty Limited  
Yarra Falls – Head Office  
452 Johnson Street  
Abbottsford, Victoria 3067

**Lead Manager & Broker**
Lodge Corporate Pty Ltd  
Level 4, 60 Collins Street  
Melbourne, Victoria 3000

**Australian Legal Advisers**
K&L Gates  
Level 25  
525 Collins Street  
Melbourne, Victoria 3000

**Patent Attorneys**
F B Rice  
Level 23, 44 Market Street  
Sydney, New South Wales 2000

**Investigating Accountant**
RSM Bird Cameron Corporate Pty Ltd  
Level 21, 55 Collins Street  
Melbourne, Victoria 3000

**Auditors**
RSM Bird Cameron Partners  
Level 21, 55 Collins Street  
Melbourne, Victoria 3000