



Paradigm Biopharmaceuticals Limited

ABN 94 169 346 963

2020 ANNUAL REPORT

PARADIGM BIOPHARMACEUTICALS LIMITED
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General Information

The Financial Statements cover Paradigm Biopharmaceuticals Limited as a Consolidated Entity consisting of Paradigm Biopharmaceuticals Limited and the entities it controlled at the end of, or during the year. The Financial Statements are presented in Australian dollars, which is Paradigm Biopharmaceuticals Limited's functional and presentation currency.

Paradigm Biopharmaceuticals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. A description of the nature of the Consolidated Entity's operations and its principal activities are included as part of the Financial Statements.

The Financial Statements were authorised for issue, in accordance with a resolution of Directors, on 27 August 2020. The Directors have the power to amend and reissue the Financial Statements.

PARADIGM BIOPHARMACEUTICALS LIMITED
CORPORATE DIRECTORY

Directors

Mr Paul Rennie	–	Managing & Executive Director
Dr. Donna Skerrett	–	Executive Director (Appointed on 03 July 2020)
Mr Christopher Fullerton	–	Non-Executive Director
Mr John Gaffney	–	Non-Executive Director
Mr Graeme Kaufman	–	Chairman & Non-Executive Director (Resigned on 23 June 2020)

Company Secretary

Mr Kevin Hollingsworth

Principal Place of Business

Level 15, 500 Collins Street
Melbourne, VIC 3000

Registered Office

C/-Hollingsworth & Co Pty Ltd
Level 2, 517 Flinders Lane
Melbourne, VIC 3000

Auditor

RSM Australia Partners
Level 21
55 Collins Street
Melbourne, VIC 3000

Solicitors

K&L Gates
Level 25, South Tower, 525 Collins Street
Melbourne, VIC 3000

Share Registry

Computershare Limited
Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067

Telephone: (61-3) 1300 137 328

Bankers

Commonwealth Bank
Level 20, Tower One, Collins Square
727 Collins Street
Melbourne, VIC 3008

Stock Exchange

ASX Limited
Level 4, North Tower, 525 Collins Street
Melbourne, VIC 3000

ASX Code: PAR

Website

www.paradigmbiopharma.com

PARADIGM BIOPHARMACEUTICALS LIMITED
CHAIRMAN'S REPORT

Dear Shareholders,

I am pleased to present the 2020 Annual Report for Paradigm Biopharmaceuticals Limited.

The Company listed on the Australian Securities Exchange (ASX: PAR) on 19 August 2015 and today stands as a well-funded, highly prospective listed drug repurposing company, staffed by talented, dedicated and knowledgeable executives in Australia and the USA. Our business model has remained unchanged: to repurpose the historic drug injectable pentosan polysulfate sodium (iPPS) for new clinical indications and the Company will shortly commence critical clinical trials to establish the safety and clinical effect of iPPS in people with osteoarthritis.

During the last financial year, Paradigm entered into regulatory discussions with the United States of America Food and Drug Administration (the US FDA) and the European Medicines Agency (the EMA) regarding Paradigm's lead clinical indication osteoarthritis and the orphan indication mucopolysaccharidosis (MPS). I am pleased to report that the meetings with both Agencies have enabled Paradigm to establish the regulatory pathway to registration of iPPS for both indications ie osteoarthritis and mucopolysaccharidosis (MPS)

I am also pleased to report that, in the USA, Paradigm executed a trial under a US FDA Expanded Access Program (EAP) Investigational New Drug (IND) application, reporting a reduction of 65% from baseline in the 10 subjects treated for osteoarthritis knee pain and function. The results were very pleasing, indicating that in subjects with osteoarthritis knee pain, iPPS was well tolerated and had a clinically meaningful effect.

The Company continues to analyse the clinical data from the Therapeutic Goods Administration (TGA) Special Access Scheme for our safety database, signals of efficacy and durability of effect which may support the Company's regulatory submissions.

Paradigm continues to execute on its drug repurposing business strategy and prudent use of resources with 80% of last financial year's expenditure being spent on the clinical trial programs. During the year, the Company's financial position was greatly strengthened by two equity raisings, raising in total \$112 million; this has resulted in all planned clinical trials for the next 18 months to be fully funded.

Graeme Kaufman resigned from the Paradigm board in early June, due to health and personal reasons. We thank him for his contribution to the Company over the past 5 years and wish him well. Further, the executive management team had been strengthened during the year, with the addition of our new Chief Medical Officer, Dr Donna Skerrett, who is based in New York, and our new Chief Operations Officer, Jeannie Joughin.

Paradigm is on the cusp of commencing pivotal Phase 3 clinical trials in the USA and EU and we look forward to advising the market about our progress with the submissions to the EMA, the FDA and the TGA in the coming months. I particularly wish to thank the Paradigm Board and the Paradigm management team for their dedication, focus and energy and for the very significant outcomes they have achieved in the past 12 months. Finally, I acknowledge with thanks the outstanding support of our shareholders which is so important to the continuing success of our Company.

On behalf of the Directors,



Paul Rennie
Interim Chairman
Melbourne, Victoria
27 August 2020

PARADIGM BIOPHARMACEUTICALS LIMITED
MANAGING DIRECTOR'S REVIEW

Dear Shareholders,

I am pleased to report on the progress made by the executive management team of Paradigm Biopharmaceuticals Limited and its controlled entities ("Paradigm") during the past 12 months.

Paradigm's business plan is to repurpose the historic drug injectable Pentosan Polysulfate Sodium (iPPS) for new indications with unmet medical needs. We maintain a high focus on prudently managing shareholders funds while at the same time rapidly and efficiently executing on our clinical development plans. Over the past 12 months Paradigm has (i) completed two Phase 2 clinical trials, (ii) in-licensed new intellectual property from the Icahn School of Medicine, Mt Sinai New York, (iii) filed two new patents and (iv) commenced detailed regulatory discussions with both the US FDA and the EMA. Paradigm is at an exciting stage of the clinical development of iPPS and is soon to commence the osteoarthritis pivotal study in the USA and Europe.

Clinical Development

1. Osteoarthritis

Osteoarthritis (OA) is the most prevalent form of joint disease, affecting as much as 13% of the world's population. An estimated 33 million people in the USA and over 3 million people in Australia suffer from degenerative osteoarthritis.

In the US alone, the financial burden of OA has been estimated to be \$81 billion in medical costs and \$128 billion in total cost, given approximately 30 million people with OA associated limitations, 36 million outpatient visits and 750,000 hospitalizations per year¹.

Opioid medicines are used by a large percentage of patients who have advanced knee, hip, or spine osteoarthritis to manage their chronic pain. Dr Scott Gottlieb, M.D., ex-Commissioner of the U.S. Food and Drug Administration said on 14 May 2018, "The biggest public health crisis facing FDA is opioid addiction. Not a day goes by in my role at FDA without hearing stories of the emotional, physical, and financial toll this epidemic is taking on Americans"².

Therein lies the unmet medical need for people suffering from osteoarthritis: a non-opioid treatment for the chronic pain and joint stiffness of osteoarthritis which is both safe and effective. iPPS is a non-opioid drug which is safe and has potential to disrupt the pharmaceutical market for the treatment for chronic pain arising from osteoarthritis.

The osteoarthritis Phase 2b clinical trial reached its primary and secondary endpoints. The study demonstrated that iPPS achieved clinically meaningful and statistically significant results in the primary symptoms of osteoarthritis (pain and joint function) and also showed improvements in the structural changes of the joint. Paradigm is pleased to report the Phase 2b clinical trial achieved both symptomatic and radiographic (MRI) improvement.

Given the success of the Phase 2b clinical trial, Paradigm conducted, in Feb 2020, a Pre-IND meeting with the US FDA for its pivotal Phase 3 clinical trial. Paradigm is currently planning to submit regulatory documents (Type C meeting) to the US FDA in Q4 CY2020. Regulatory documents, for a scientific advice meeting, have already been submitted to the EMA.

A manuscript of the successful osteoarthritis Phase 2b clinical trial has been submitted for peer-review and publication.

2. Mucopolysaccharidosis (MPS)

During the past 12 months, Paradigm in-licensed patents claiming the use of iPPS to treat the rare disease of mucopolysaccharidosis (MPS). MPS is a rare genetic disease which is currently treated with enzyme replacement therapy (ERT). ERT is known to have limited effects on some organs, especially the skeletal system. In MPS animal models PPS reduces the concentrations of glycosaminoglycans (GAGs) in tissues and body fluids and improves cartilage and bone pathologies. A Phase 2a clinical trial (Hennermann J et al 2016)² 3 conducted in Germany demonstrated that MPS patients had reduced urinary GAG levels, reduced pain and improved joint mobility. In the Phase 2a clinical trial all subjects received ERT and iPPS. iPPS has the potential to be adjunctive therapy with ERT for MPS sufferers. Orphan drug designation was received for both types of MPS, ie MPS-1 and MPS-6 in the USA and Europe, which are important regulatory milestones for the Company.

3. Alphavirus – Ross River virus (RRV) and Chikungunya virus (CHIKV)

Paradigm completed a Phase 2a clinical trial investigating the safety and efficacy of iPPS in people recently infected with the mosquito transmitted alpha virus, Ross River virus (RRV). The Phase 2a clinical trial was a success and reached all primary and secondary endpoints. Paradigm has also undertaken a research program (pre-clinical study) with Griffith University investigating the safety and effect of iPPS in an animal model of CHIK-V.

3. Alphavirus – Ross River virus (RRV) and Chikungunya virus (CHIKV) (cont'd)

A manuscript of the successful RRV clinical trial has been submitted for peer-review and publication. A manuscript of the successful CHIK-V non-clinical work has been prepared and will be submitted for peer-review in the forthcoming financial year.

The human data on the effects of iPPS in RRV induced arthralgia together with our preclinical work on CHIKV will progress our commercial discussions with US Department of Defense.

4. Allergic Rhinitis / hay fever

Intranasal corticosteroids and anti-histamines are the current first line therapies used to treat the symptoms of allergic rhinitis. Paradigm developed a non-steroid-based intranasal PPS spray and conducted a Phase 1 safety study and a Phase 2a randomised double-blind placebo cross over clinical study. In May 2017, Paradigm reported the Phase 2 study failed to meet its primary clinical endpoints. This was an unexpected outcome, and the clinical data was reviewed by industry experts to determine our next steps with the Allergic Rhinitis program.

Paradigm remains committed to its respiratory asset. Further R&D will be undertaken to identify the reasons for the lack of translation from the preclinical Allergic Rhinitis results into the Phase 2 human clinical trial. Depending on Paradigm's findings the Allergic Rhinitis Phase 2 study could be repeated, or the Allergic Rhinitis program may be terminated in preference to its Asthma or Chronic Obstructive Pulmonary Disease (COPD) programs.

5. Heart Failure

Paradigm continues to develop the IP which it licensed from the University of Oslo (Norway) for the use of iPPS for the treatment of heart failure. Significant non-clinical work was undertaken in the past 12 months and Paradigm has plans to undertake further non-clinical studies in the forthcoming financial year.

Research & Development

A focused Research & Development (R&D) program will be undertaken to identify and develop second generation products and the pain reducing mechanism of action of iPPS with osteoarthritis. This R&D program will be managed by Paradigm's Chief Scientific Officer. Paradigm will continue to outsource its R&D to world-class research laboratories and CRO's. In line with Paradigm's publication policy it will publish the pre-clinical and clinical studies in peer-reviewed scientific journals.

Business Development

Paradigm is planning to appoint a head of business development to ensure that, post the clinical trials, the Company is well positioned to action resulting commercial transactions.

Intellectual Property

Osteoarthritis Patent (Bone marrow edema): The osteoarthritis patent is granted in all seven major pharmaceutical markets.

Respiratory Patent: Paradigm's respiratory patent covers the use of PPS for treating Allergic Rhinitis, Allergic Asthma and COPD. The Respiratory patent is now granted in Australia, China, Canada and Europe.

During the reporting period, Paradigm filed two new patents claiming the use of iPPS in reducing pain. In particular, the patent relates to use of polysulfated polysaccharides, such as PPS, for the treatment of pain or pain conditions mediated by mature Nerve Growth Factor (NGF) or its precursor pro-Nerve Growth Factor (pro-NGF) both of which are known pain mediators in chronic diseases such as osteoarthritis.

Managing shareholder funds and delivering on our clinical milestones continue to be our top corporate priorities. The significant achievements in the past 12 months have been made possible by our highly talented and productive pharma executives and consultants. I would also like to acknowledge the outstanding support of Paradigm's clinical & regulatory staff, scientific & medical professionals and our manufacturing partners.



Paul Rennie
Managing Director

References:

¹ National Institute of Health; Emerging drugs for osteoarthritis; Hunter DJ and Matthews G 16(3): 479–491; 2011 September.

² <https://blogs.fda.gov/fdavoices/index.php/2018/05/addressing-needs-of-patients-while-stemming-the-tide-of-the-opioid-crisis/>

³ Treatment with pentosan polysulphate in patients with MPS I: results from an open label, randomized, monocentric phase II study. Hennermann J et al.

PARADIGM BIOPHARMACEUTICALS LIMITED
DIRECTORS' REPORT

Directors present their report together with the financial report of Paradigm Biopharmaceuticals Limited (referred to hereafter as the 'company') and the entities it controlled at the end of, or during, the year ended 30 June 2020 (referred to hereafter as the 'Consolidated Entity')

DIRECTORS

Information on Directors

The Directors of Paradigm at any time during or since the end of the financial year are:

Paul Rennie, Managing and Executive Director (Appointed on 02 May 2014)

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 6 years, Paul has worked full time at Paradigm Biopharmaceuticals Limited.

Dr. Donna Skerrett, Executive Director (Appointed on 03 July 2020)

Dr. Donna Skerrett, has more than 30 years' experience in transfusion medicine, cellular therapy, and transplantation. She brings a wealth of experience in medical, clinical, and regulatory affairs. Donna served previously as Chief Medical Officer at Mesoblast. She was Director of Transfusion Medicine and Cellular Therapy at Weill Cornell Medical Center in New York (2004 – 2011) and prior to that was Associate Director of Transfusion Medicine and Director of Stem Cell Facilities at Columbia University's New York-Presbyterian Hospital. She previously chaired the New York State Council on Blood and Transfusion Services and currently serves on the Board of Directors of the Fox Chase Cancer Center in Philadelphia, Pa.

Christopher Fullerton, Non-Executive Director (Appointed on 30 September 2014)

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. He is currently a Non-Executive Director of XTEK Ltd.

John Gaffney, Non-Executive Director (Appointed on 30 September 2014)

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.

Graeme Kaufman, Chairman and Non-Executive Director (Resigned on 23 June 2020)

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.

COMPANY SECRETARY

Kevin Hollingsworth, Company Secretary (Appointed on 02 May 2014)

Kevin Hollingsworth, FCPA, FCMA, CGMA, in addition to his duties at Paradigm, serves as Principal of Hollingsworth Financial Services. Prior to that he served as Chief Financial Officer and Company Secretary of Mesoblast Limited (ASX: MSB). At Alpha Technologies Corporation Limited (ASX: ASU), Kevin Hollingsworth served as a Non-Executive Director. He has served as National President of CIMA Australia, State Councillor for CPA Australia and Chairman of the National and Victorian Industry and Commerce Accountants Committees. He is a Chartered Global Management Accountant and Fellow of CPA Australia and Chartered Management Accountants.

PARADIGM BIOPHARMACEUTICALS LIMITED
DIRECTORS' REPORT (CONT'D)

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by Directors of Paradigm during the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship	
		From	To
Graeme Kaufman	IDT Australia Limited	01-Jun-13	18-Nov-19
Christopher Fullerton	XTEK Ltd	24-Apr-18	Current
John Gaffney	SelfWealth Ltd	23-Nov-17	30-Sep-19

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of Paradigm during the financial year are:

Director	Board		Nomination & Remuneration Committee		Audit & Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Graeme Kaufman	7	6	1	-	2	2
Paul Rennie	7	7	1	1	2	2
Christopher Fullerton	7	7	1	1	2	2
John Gaffney	7	7	1	1	2	2
Donna Skerrett	-	-	-	-	-	-

Committee membership

As at the date of the report, Paradigm had a Nomination and Remuneration Committee and an Audit and Risk Committee of the Board of Directors. Members acting on the committees of the Board during the financial year were:

Nomination & Remuneration Committee	Audit & Risk Committee
John Gaffney (Chairman)	Christopher Fullerton (Chairman)
Christopher Fullerton	John Gaffney

PRINCIPAL ACTIVITIES

The principal activities of Paradigm are researching and developing therapeutic products for human use. It is a drug repurposing company which seeks to find new uses for old drugs, thereby reducing the cost and time to bring therapeutics to market.

OPERATING REVIEW

Paradigm made a loss for the financial year ended 30 June 2020 of \$12,298,887 (2019: Loss of \$15,627,544).

Consolidated revenue including other income during the period was \$4,695,494 (2019: \$3,245,628). This revenue included interest of \$997,647 (2019: \$261,710), and an R&D tax incentive of \$3,647,847 (2019: \$2,983,918).

The consolidated total expenses for the period were \$16,994,381 (2019: \$18,873,172).

The research and development expenses for the period were \$12,793,576 (2019: \$7,896,708).

The other operating expenses during the period were \$4,200,805 (2019: \$4,047,480).

The impairment loss during the period was Nil (2019: \$6,928,984).

Basic and diluted net loss per share decreased to 6.12 cents (2019: 10.93 cents) due to a smaller loss and the increased number of shares.

ENVIRONMENTAL REGULATION

Paradigm's operations are not regulated by any significant environmental law of the Commonwealth or of a state or territory of Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In March 2020, 26,923,077 shares were issued and placed with Domestic and International Institutions to raise capital of \$35,000,000. The proceeds from the placement will be applied to costs of the second Phase 3 osteoarthritis (OA) clinical trial (confirmatory clinical trial). Paradigm is now fully funded to complete its current clinical programs in OA and MPS through to registration.

There have been no other significant changes in the state of affairs of the entities in Paradigm during the year.

DIVIDENDS

No dividends were declared or paid since the start of the financial year. No recommendation for payment of dividends has been made.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

LIKELY DEVELOPMENTS

There are no likely developments.

CORPORATE GOVERNANCE

The Corporate Governance Statement appears on Paradigm's website at:

<http://www.paradigmbiopharma.com/investors/corporate-governance>

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and options issued by Paradigm at the date of this report is as follows:

Director	Ordinary shares
Paul Rennie	19,509,222
Christopher Fullerton	1,070,000
John Gaffney	587,555
Donna Skerrett	219,284

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

Paradigm has agreed to indemnify the current Directors of Paradigm against all liabilities to another person (other than Paradigm or a related body corporate) that may arise from their position as Directors of Paradigm, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that Paradigm will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Insurance premiums

Paradigm paid a premium during the year in respect of a Director and officer liability insurance policy, insuring the Directors of Paradigm, the Company Secretary, and all Executive Officers of Paradigm against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001*. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF PARADIGM

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

NON-AUDIT SERVICES

Paradigm's auditor, RSM Australia, was appointed in July 2014 for audit services and also provided taxation services during the year.

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for Paradigm, acting as advocate for Paradigm or jointly sharing economic risks and rewards.

OFFICERS OF PARADIGM WHO ARE FORMER PARTNERS OF RSM AUSTRALIA

There are no Officers of Paradigm who are former partners of RSM Australia.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17 of the financial report.

AUDITOR

RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

PARADIGM BIOPHARMACEUTICALS LIMITED
REMUNERATION REPORT

AUDITED REMUNERATION REPORT

This Remuneration Report outlines the Director and Executive Remuneration arrangements of Paradigm in accordance with the requirements of the *Corporations Act 2001* and the *Corporations Regulations 2001*.

For the purposes of this report, Key Management Personnel of Paradigm are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of Paradigm, directly or indirectly, including any Director (whether executive or otherwise) of Paradigm. Paradigm does not presently employ any Executives, other than the Executive Director.

KEY MANAGEMENT PERSONNEL

The following were Key Management Personnel of Paradigm at any time during the year and unless otherwise indicated were Key Management Personnel for the entire year:

Name	Position held	Date Appointed	Date Resigned
Graeme Kaufman	Chairman & Non-Executive Director	2 May 2014	23 June 2020
Paul Rennie	Managing & Executive Director	2 May 2014	
Christopher Fullerton	Non-Executive Director	30 September 2014	
John Gaffney	Non-Executive Director	30 September 2014	

REMUNERATION COMMITTEE

The Nomination and Remuneration Committee proposes candidates for Director appointment for the Board's consideration, reviews the fees payable to both Executive and Non-Executive Directors and reviews and advises the Board in relation to Chief Executive Officer succession planning. The Nomination and Remuneration Committee has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.

The Nomination and Remuneration Committee is a committee of the Board and is established in accordance with the authority provided in Paradigm's constitution.

The Board is responsible to shareholders for ensuring that Paradigm:

- has coherent remuneration policies and practices which are observed, and which enable it to attract and retain Executives and Directors who will create value for shareholders;
- fairly and responsibly rewards executives having regard to the performance of Paradigm, the performance of the Executive and the general pay environment;
- provides disclosure in relation to Paradigm's remuneration policies to enable investors to understand the costs and benefits of those policies and the link between remuneration paid to Directors and key Executives and corporate performance; and
- complies with the provisions of the ASX Listing Rules and the *Corporations Act 2001*.

PRINCIPLES OF REMUNERATION

The primary purpose of the Nomination and Remuneration Committee is to support and advise the Board in fulfilling its responsibilities to shareholders in ensuring that the Board is appropriately remunerated, structured and comprised of individuals who are best able to discharge the responsibilities of Directors by:

- assessing the size, composition, diversity and skills required by the Board to enable it to fulfil its responsibilities to shareholders, having regard to Paradigm's current and proposed scope of activities;
- assessing the extent to which the required knowledge, experience and skills are represented on the Board;
- establishing processes for the identification of suitable candidates for appointment to the Board;
- overseeing succession planning for the Board and CEO;
- establishing processes for the review of the performance of individual Directors and the Board as a whole;
- assessing the terms of appointment and remuneration arrangements for Non-Executive Directors; and
- assessment and reporting to the Board.

Remuneration structure

In accordance with best practice Corporate Governance, the structure of Non-Executive Directors' Remuneration is clearly distinguished from that of Executives.

Non-Executive Director Remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. Remuneration of Non-Executive Directors is determined in maximum aggregate amount of \$500,000 by the shareholders and is allocated by the Board on the recommendation of the Remuneration Committee. The Remuneration Committee will take independent advice in respect to Directors' fees on an as needed basis.

There is no separate payment made for attendance at Board committee meetings or for other attendances to Consolidated Entity or Board activities.

Directors are not required to hold shares in Paradigm as part of their appointment.

There is to be no plan to provide remuneration, reward or other benefits to Non-Executive Directors upon the cessation of them holding office as a Director.

Executive remuneration

Executive Directors receive no extra remuneration for their service on the Board beyond their executive salary package.

Fixed compensation

Fixed compensation consists of base compensation, as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of Paradigm.

Short-term incentives

Executive Key Management Personnel may receive short-term incentives.

Long-term incentives

Share-based compensation - Options granted to Directors and key management personnel

Paradigm has a long-term incentive plan being the Employee Share Plan (ESP). Refer to Note 16 for further information on the Plan. The shares issued under the ESP are considered to be options under the Australian Accounting standards.

Issue of shares

Details of shares issued to Directors and other Key Management Personnel as part of the ESP compensation:

Name	Date	Shares	Issue price	Fair value of options	\$
Graeme Kaufman	29 May 2015	1,200,000	\$0.35	\$0.208	249,600
Paul Rennie	29 May 2015	600,000	\$0.35	\$0.208	124,800
	30 November 2016	140,000	\$0.33	\$0.268	37,553
	13 November 2017	210,000	\$0.63	\$0.198	41,496
	26 November 2018	300,000	\$1.15	\$0.623	186,963
	07 November 2019	197,355	\$2.93	\$1.540	303,927
Christopher Fullerton	29 May 2015	600,000	\$0.35	\$0.208	124,800
John Gaffney	29 May 2015	600,000	\$0.35	\$0.208	124,800

Non-Executive Director Remuneration (cont'd)

Movement in shares

The movement during the reporting period in the number of ordinary shares in Paradigm Biopharmaceuticals Limited held directly, indirectly or beneficially by each Director and Key Management Personnel, including their related entities is as follows:

	Held at year opening	Purchases	Disposals	Issued via ESP	Held at year end
Directors & Key Management Persons					
Graeme Kaufman	2,074,250	-	(184,216)	-	1,890,034
Paul Rennie	23,379,935	63,500	(4,131,568)	197,355	19,509,222
Christopher Fullerton	960,000	110,000	-	-	1,070,000
John Gaffney	703,250	-	(115,695)	-	587,555

EMPLOYMENT AGREEMENTS

The Board has reviewed the remuneration package for the Chief Executive Officer on 09 July 2020. The Remuneration and other terms of employment for the Chief Executive Officer is formalised in a service agreement. Details of this agreement are as follows: -

Name:	Paul Rennie
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	7 November 2017
Term of agreement:	3 years
Details:	Base annual package *, Short-term incentives ** and discretionary share based Long-term incentives ***, subject to annual performance review, 6-month termination notice by either party, 3-12-month non-solicitation clause after termination depending on the area. Paradigm may terminate the agreement with cause in certain circumstances such as gross misconduct.

* Base annual package for financial year 2020/21 - \$510,000 per annum plus statutory Superannuation, to be reviewed annually by the Nomination and Remuneration Committee

** Short-term incentives paid as a cash bonus to award for financial year 2019/20 – 25% of base (\$115,500)

*** Long-term incentives via invitation to participate in Paradigm's Employee Share Plan. 197,355 Ordinary Shares was granted as at 07 November 2019 at an exercise price of \$2.93 for the performance for the 2019 financial year. This issue was funded by a limited recourse loan from Paradigm.

PARADIGM BIOPHARMACEUTICALS LIMITED
REMUNERATION REPORT (CONT'D)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of the remuneration of each Key Management Personnel of Paradigm for the year ended 30 June 2020 are:

	Short-term		Post-employment	Long-term	Share-based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
	Salary & fees	Cash Bonus	Superannuation benefits	Long service leave	Options			
	\$	\$	\$	\$	\$			
Directors & Key Management Personnel								
<i>Non-executive</i>								
Graeme Kaufman	110,000	-	10,450	-	-	120,450	0.0%	0.00%
Christopher Fullerton	55,000	-	5,225	-	-	60,225	0.0%	0.00%
John Gaffney	55,000	-	5,225	-	-	60,225	0.0%	0.00%
<i>Executive</i>								
Paul Rennie	462,000	115,500	54,863	-	-	632,363	18.26%	0.00%
Total	2020	682,000	115,500	75,763	-	873,263	13.23%	0.00%

PARADIGM BIOPHARMACEUTICALS LIMITED
REMUNERATION REPORT (CONT'D)

REMUNERATION OF KEY MANAGEMENT PERSONNEL (cont'd)

Details of the nature and amount of each major element of the remuneration of each Key Management Personnel of Paradigm for the year ended 30 June 2019 are:

	Short-term		Post-employment	Long-term	Share-based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration	
	Salary & fees	Cash Bonus	Superannuation benefits	Long service leave	Options				
	\$	\$	\$	\$	\$				%
Directors & Key Management Personnel									
<i>Non-Executive</i>									
Graeme Kaufman	110,000	-	10,450	-	-	120,450	0.0%	0.00%	
Christopher Fullerton	55,000	-	5,225	-	-	60,225	0.0%	0.00%	
John Gaffney	55,000	-	5,225	-	-	60,225	0.0%	0.00%	
<i>Executive</i>									
Paul Rennie	420,000	105,000	49,875	-	492,513	1,067,388	9.84%	46.14%	
Total	2019	640,000	105,000	70,775	-	492,513	1,308,288	8.03%	37.65%

PARADIGM BIOPHARMACEUTICALS LIMITED
REMUNERATION REPORT (CONT'D)

REMUNERATION OF KEY MANAGEMENT PERSONNEL (cont'd)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive</i>						
Graeme Kaufman	100.00%	100.00%	-	-	-	-
Christopher Fullerton	100.00%	100.00%	-	-	-	-
John Gaffney	100.00%	100.00%	-	-	-	-
<i>Executive:</i>						
Paul Rennie	81.74%	44.02%	18.26%	9.84%	-	46.14%

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Nomination and Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2020	2019	2020	2019
<i>Non-Executive</i>				
Graeme Kaufman	-	-	-	-
Christopher Fullerton	-	-	-	-
John Gaffney	-	-	-	-
<i>Executive:</i>				
Paul Rennie	100%	100%	-	-

PARADIGM BIOPHARMACEUTICALS LIMITED
REMUNERATION REPORT (CONT'D)

REMUNERATION OF KEY MANAGEMENT PERSONNEL (cont'd)

Additional information

The earnings of Paradigm for the five years to 30 June 2020 are summarised below:-

	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Income	4,695,494	3,245,628	2,736,400	1,848,924	1,394,161
Profit/(loss) after income tax	(12,298,887)	(15,627,544)	(6,190,232)	(4,275,446)	(2,924,425)

The factors that are considered to affect total shareholders return (TSR) are summarised below:

	2020	2019	2018	2017	2016
Share price at financial year end (\$)	3.15	1.40	0.65	0.29	0.35
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(6.12)	(10.93)	(5.46)	(4.42)	(3.6)

This is the end of the audited Remuneration Report.

Dated at Melbourne, Victoria this 27th day of August 2020.

Signed in accordance with a resolution of the Directors, pursuant to section 298(2)(a) of the Corporations Act:



Paul Rennie
Interim Chairman

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Paradigm Biopharmaceuticals Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

**RSM AUSTRALIA PARTNERS**

B Y CHAN
Partner

Dated: 27 August 2020
Melbourne, Victoria

PARADIGM BIOPHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2020

	Notes	Period from 1-Jul-19 to 30-Jun-20 \$	Period from 1-Jul-18 to 30-Jun-19 \$
Other income	2	4,695,494	3,245,628
Research and development expenses		(12,793,576)	(7,896,708)
Employee expenses	3	(1,226,649)	(2,575,983)
General and administration expenses		(2,939,988)	(1,471,497)
Impairment loss		-	(6,928,984)
Finance costs		(34,168)	-
Loss before income tax		(12,298,887)	(15,627,544)
Income tax expense / (benefit)		-	-
Loss for the year		(12,298,887)	(15,627,544)
Other comprehensive income		-	-
Total comprehensive income attributable to members of the consolidated entity		(12,298,887)	(15,627,544)
Earnings per share (cents)			
<i>Basic and diluted earnings per share</i>	19	(6.12) cents	(10.93) cents

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

PARADIGM BIOPHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	103,922,241	78,836,173
Trade and other receivables	5	3,509,777	3,532,227
Prepaid expenses	6	192,380	137,113
Financial assets held at amortised cost		746,200	-
Total current assets		108,370,598	82,505,513
Non-current assets			
Intangible assets	7	2,947,588	2,981,359
Plant and equipment	8	109,913	24,029
Right-of-use assets	9	832,917	-
Security deposits receivable		102,616	-
Total non-current assets		3,993,034	3,005,388
Total assets		112,363,632	85,510,901
LIABILITIES			
Current liabilities			
Trade and other payables	10	2,784,324	2,315,992
Employee benefits	11	455,510	388,591
Lease liabilities	12	124,731	-
Total current liabilities		3,364,565	2,704,583
Non-current liabilities			
Employee benefits	13	68,390	-
Lease liabilities	14	748,958	-
Total non-current liabilities		817,348	-
Total liabilities		4,181,913	2,704,583
Net assets		108,181,719	82,806,318
EQUITY			
Issued capital	15	145,865,076	109,468,292
Share based payments reserve	16	3,585,189	4,072,844
Accumulated losses	17	(41,268,546)	(30,734,818)
Total equity		108,181,719	82,806,318

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

PARADIGM BIOPHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2020

		Period from 1-Jul-19 to 30-Jun-20 \$	Period from 1-Jul-18 to 30-Jun-19 \$
Cash flows from operating activities			
Research and development and other tax incentive received		3,621,355	2,318,718
Payments to suppliers and employees (Inclusive of GST)		(14,797,407)	(8,773,072)
Interest received		1,120,163	89,259
Interest repayment of lease liabilities		(34,168)	-
Net cash outflow from operating activities	24	(10,090,057)	(6,365,095)
Cash flows from investing activities			
Payments for intangible assets	7	(3,353)	(4,198)
Payments for plant and equipment	8	(127,537)	(17,781)
Proceeds/(Payments) for financial assets held at amortised cost		5,753,800	(6,500,000)
Net cash inflow (outflow) from investing activities		5,622,910	(6,521,979)
Cash flows from financing activities			
Proceeds from the issue of share capital	15	35,000,000	86,962,482
Proceeds from exercise of share options	15	1,839,328	1,084,854
Limited recourse loan repayment under ESP		1,895,907	-
Payments of share issue costs	15	(2,588,451)	(5,269,719)
Principal repayment of lease liabilities		(93,569)	-
Net cash inflow from financing activities		36,053,215	82,777,617
Net increase in cash and cash equivalents		31,586,068	69,890,543
Cash at the beginning of the financial period		72,336,173	2,445,630
Cash at the end of the financial period		103,922,241	72,336,173

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

PARADIGM BIOPHARMACEUTICALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2020

	Issued Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total \$
Balance at 30 June 2018	26,940,674	2,030,669	(15,107,274)	13,864,069
Loss for the period	-	-	(15,627,544)	(15,627,544)
Shares issued (Note 14)	86,962,483	-	-	86,962,483
Costs in relation to shares issued	(5,519,719)	-	-	(5,519,719)
Fair value of shares issued to eligible employees under the plan	-	1,728,963	-	1,728,963
Fair values of options issued to third party under the share-based payment arrangement	-	313,212	-	313,212
Exercise of options	1,084,854	-	-	1,084,854
Balance at 30 June 2019	109,468,292	4,072,844	(30,734,818)	82,806,318
Loss for the period	-	-	(12,298,887)	(12,298,887)
Shares issued (Note 15)	35,000,000	-	-	35,000,000
Costs in relation to shares issued	(2,338,451)	-	-	(2,338,451)
Fair value of shares issued to eligible employees under the plan (Note 16)	-	490,936	-	490,936
Fair values of options issued to third party under the share-based payment arrangement (Note 16)	-	786,568	-	786,568
Transfer from share reserve	-	(1,765,159)	1,765,159	-
Shares issued relating to repayment of limited recourse loan for ESP	1,895,907	-	-	1,895,907
Exercise of options	1,839,328	-	-	1,839,328
Balance at 30 June 2020	145,865,076	3,585,189	(41,268,546)	108,181,719

The consolidated statement of changes in equity is to be read in conjunction with the accompanying note

PARADIGM BIOPHARMACEUTICALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Reporting entity

Paradigm Biopharmaceuticals Limited (the "Consolidated Entity") is a company incorporated and domiciled in Australia. Paradigm Biopharmaceuticals Limited is a company limited by shares which are publicly traded on the Australian Securities Exchange from 19 August 2015. The consolidated financial report of the Consolidated Entity for the year ended 30 June 2020 comprises the company and controlled entities (together referred to as the "Consolidated Entity").

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' Report.

For the purposes of preparing the Financial Statements the Consolidated Entity is a for-profit entity.

(b) Basis of preparation

Statement of Compliance

This financial report is a general purpose financial report prepared in accordance with the Australian Accounting Standards ("AASs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. This Consolidated Financial Report complies with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board (IASB).

Basis of measurement

Historical cost convention

The Financial Statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in note 1 (c).

Significant accounting policies

The accounting policies set out below have been applied consistently by the Consolidated Entity to all periods presented in these Financial Statements.

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 16 Leases

The Consolidated Entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New, revised or amending Accounting Standards and Interpretations adopted (cont'd)

There were no lease liability commitments as at 1 July 2019, however a lease was entered during the 12-month period in relation to the leased office space. This has now been accounted for in line with AASB 16 using an incremental borrowing rate of 4.7%.

(c) Significant accounting estimates, assumptions and judgements

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the Financial Statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets

The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Consolidated Entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Other indefinite life intangible assets

The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 7 for further information.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been considered.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Significant accounting estimates, assumptions and judgements (cont'd)

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Consolidated Entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

(d) Summary of Significant Accounting Policies

(i) **Basis of consolidation**

Parent entity

In accordance with the *Corporations Act 2001*, these Financial Statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 22.

Subsidiaries

The consolidated Financial Statements comprise those of the Consolidated Entity, and the entities it controlled at the end of, or during, the financial year. The balances and effects of transactions between entities in the Consolidated Entity included in the Financial Statements have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Subsidiaries are entities controlled by the Consolidated Entity. Control exists when the Consolidated Entity is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date control is transferred to the Consolidated Entity until the date that control ceases.

Transactions eliminated on consolidation

Intra-company balances and all gains and losses or income and expenses arising from intra-company transactions are eliminated in preparing the consolidated Financial Statements.

(ii) **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above but also include as a component of cash and cash equivalents bank overdrafts (if any), which are included as borrowings on the statement of financial position.

(iii) **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Consolidated Entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any provision for impairment.

(iv) **Investments**

Investments are initially measured at cost. Transaction costs are included as part of the initial measurement. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) *Intangible assets*

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

(a) *Patents and trademarks*

Patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses once the patents are considered held ready for use. Intellectual property and licences are amortised on a systematic basis matched to the future economic benefits over the useful life of the project once the patents are considered held ready for use.

Significant costs associated with trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

(b) *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.

(vi) *Impairment*

At the end of each reporting period, the Consolidated Entity 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 Consolidated Entity 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.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of the money and risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Consolidated Entity bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Consolidated Entity's projects to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

(vii) *Plant and equipment*

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives of 2-15 years.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(vii) Plant and equipment (cont'd)

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(viii) 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.

(ix) Share capital

Ordinary and 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.

(x) Provisions

Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(xi) Revenue

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Grants that compensate the Consolidated Entity for expenditures incurred are recognised in profit or loss on a systematic basis in the periods in which the expenditures are recognised. R&D tax offset receivables will be recognised in profit before tax (in EBIT) over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. Such periods will depend on whether the R&D costs are capitalised or expensed as incurred.

(xii) Employee benefits

Wages and salaries, cash bonus, annual leave and long service leave

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required, and they are capable of being measured reliably. Provisions made in respect of employee benefits are measured based on an assessment of the existing benefits to determine the appropriate classification under the definition of short-term and long-term benefits, placing emphasis on when the benefit is expected to be settled.

Short-term benefits provisions that are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long term benefits provisions that are not expected to be settled within 12 months and are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date to estimate the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(xii) Employee benefits (cont'd)

Regardless of the expected timing of settlement, provisions made in respect of employee benefits are classified as a current liability unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability. Provisions made for annual leave and unconditional long service leave are classified as a current liability where the employee has a present entitlement to the benefit. Provisions for conditional long service are classified as non-current liability.

Share-based payments

The Consolidated Entity operates an incentive scheme to provide these benefits, known as the Paradigm Biopharmaceuticals Limited Employee Share Plan ("ESP") approved on 22 October 2014. Issues of shares to employees with limited recourse loans under the ESP are 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 binomial 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. In valuing share-based payment transactions, no account is taken of any non-market performance conditions.

The Consolidated Entity provides benefits to employees (including Directors) of the Consolidated Entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

The cost of share-based payment transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Consolidated Entity, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(xiii) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

PARADIGM BIOPHARMACEUTICALS LIMITED
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for the year ended 30 June 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(xiv) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

The Consolidated Entity and its wholly-owned Australian resident entities are part of a tax-consolidated entity. As a consequence, all members of the tax-consolidated entity are taxed as a single entity. The head entity within the tax-consolidated entity is Paradigm Biopharmaceuticals Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated entity are recognised in the separate Financial Statements of the members of the tax-consolidated entity using the 'separate taxpayer within Consolidated Entity' approach by reference to the carrying amount of assets and liabilities in the separate Financial Statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated entity. Any difference between these amounts is recognised by the Consolidated Entity as an equity contribution or distribution.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

(xv) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(xvi) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows at their nominal value inclusive of GST.

(xvii) Earnings per share

The Consolidated Entity presents basic and, when applicable, diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Consolidated Entity by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting basic earnings for the impact of the after-tax effect of costs associated with dilutive ordinary shares and the weighted average number of additional ordinary shares that would be outstanding assuming the conversion of all dilutive potential ordinary shares. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xviii) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

The Consolidated Entity does not have any assets or liabilities held at fair value on a recurring or non-recurring basis.

(xix) Operating segment

Identification of reportable operating segments

The Consolidated Entity is organised into one operating segment based on the research and development of pharmaceutical drugs. The operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New standards and interpretations not yet effective or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2020. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Consolidated Entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Consolidated Entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Consolidated Entity's financial statements.

PARADIGM BIOPHARMACEUTICALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

	2020 \$	2019 \$
2. OTHER INCOME		
R&D tax incentive	3,647,847	2,983,918
Interest received	997,647	261,710
ATO Cashflow boost payment	50,000	-
	<u>4,695,494</u>	<u>3,245,628</u>
3. EMPLOYEE EXPENSES		
Wages, salaries and self-employed contractors expenses	398,422	254,000
Performance bonus	27,093	18,900
Defined contribution superannuation expenses	58,750	46,826
Increase in liability for employee benefits expenses	172,302	91,228
Non-executive directors fees	220,000	220,000
Fair values of shares issued/to be issued to eligible employees under the ESP	490,936	1,728,963
Workcover	1,504	2,894
Payroll tax	(142,358)	213,172
	<u>1,226,649</u>	<u>2,575,984</u>
4. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	103,922,241	78,836,173
	<u>103,922,241</u>	<u>78,836,173</u>
5. TRADE AND OTHER RECEIVABLES		
GST receivable	34,070	10,497
Interest receivable	51,513	174,029
R&D tax incentive receivable	3,424,194	3,347,701
	<u>3,509,777</u>	<u>3,532,227</u>
6. PREPAID EXPENSES		
Prepaid insurance	25,554	16,247
Other prepaid expenses	166,826	120,866
	<u>192,380</u>	<u>137,113</u>
7. INTANGIBLE ASSETS		
Patents	9,925,516	9,922,163
Less: Accumulated amortisation	(6,977,928)	(6,940,804)
	<u>2,947,588</u>	<u>2,981,359</u>

PARADIGM BIOPHARMACEUTICALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2019

	2020 \$	2019 \$
7. INTANGIBLE ASSETS (cont'd)		
Reconciliation		
Carrying amount at the beginning of the period	2,981,359	9,910,242
Additions during the period	3,353	4,198
Disposals	-	-
Amortisation expense	(37,124)	(4,097)
Impairment loss	-	(6,928,984)
Balance at the end of the financial year	2,947,588	2,981,359

The Consolidated Entity performed its annual impairment test in June 2020. There was a particular focus on the respiratory asset due to the unexpected outcome of Phase 2a Allergic Rhinitis clinical trial which failed to meet its primary clinical endpoints in June 2017. The Consolidated Entity remains committed to its respiratory asset. The Allergic Rhinitis Phase 2 study could be repeated or the Allergic Rhinitis program may be terminated in preference to its Asthma or Chronic Obstructive Pulmonary Disease (COPD) programs depending on the findings of the potential reasons for the lack of translation of the preclinical Allergic Rhinitis results into the Phase 2 human clinical trial.

Respiratory patent

The respiratory patent covers the use of PPS for treating Allergic Rhinitis, Allergic Asthma and COPD. The Respiratory patent is now granted in Australia, New Zealand, China, Canada and Europe.

The recoverable amount of the respiratory patent as at 30 June 2020 has been determined based on a value-in-use calculation using a 5-year cash flow projection approved by senior management. The after-tax discount rate applied to cash flow projections is in the range of 20-25%. It was concluded that the value-in-use exceeds the carrying amount of the cash generating unit. As a result of this analysis, management has not recognized an impairment charge.

Based on the above, the recoverable amount of intangible asset exceeded the carrying amount by \$49.1m.

Key assumptions used in value-in-use calculations and sensitivity to changes in assumptions

The calculation of value-in-use for both respiratory and anti-inflammatory/autoimmune patents is most sensitive to the following assumptions:

- Projected revenue
- Discount rate

Projected revenue has been forecast based on the proportion of the total addressable market in which Paradigm can reasonably capture. Projected revenue would need to decline by an amount greater than 26.3% per annum in order for the cash generating unit to be deemed impaired.

An after-tax discount rate of between 20-25% has been applied to the projected free cash flow of the cash generating unit. The discount rate reflects the Consolidated Entity's estimated cost of capital based on the risk-free rate, market risk premium, volatility of the share price relative to market movements, and company specific risk factors.

8. PLANT AND EQUIPMENT

Computer equipment	73,740	40,282
Less: Accumulated depreciation	(43,341)	(22,618)
	30,399	17,663

PARADIGM BIOPHARMACEUTICALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

	2020 \$	2019 \$
8. PLANT AND EQUIPMENT (cont'd)		
Reconciliation		
Carrying amount at the beginning of the period	17,663	385
Additions during the period	33,458	19,737
Disposals	-	-
Depreciation expense	(20,722)	(2,459)
Balance at the end of the financial year	<u>30,399</u>	<u>17,663</u>
Clinical trial equipment	9,419	9,419
Less: Accumulated depreciation	(7,750)	(6,807)
	<u>1,669</u>	<u>2,613</u>
Reconciliation		
Carrying amount at the beginning of the period	2,613	4,136
Additions during the period	-	-
Disposals	-	-
Depreciation expense	(944)	(1,523)
Balance at the end of the financial year	<u>1,669</u>	<u>2,613</u>
Office equipment	78,038	4,390
Less: Accumulated depreciation	(14,185)	(637)
	<u>63,853</u>	<u>3,753</u>
Reconciliation		
Carrying amount at the beginning of the period	3,753	4,021
Additions during the period	73,648	-
Disposals	-	-
Depreciation expense	(13,548)	(268)
Balance at the end of the financial year	<u>63,853</u>	<u>3,753</u>
Leasehold improvements	20,431	-
Less: Accumulated amortisation	(6,439)	-
	<u>13,992</u>	<u>-</u>
Reconciliation		
Carrying amount at the beginning of the period	-	-
Additions during the period	20,431	-
Disposals	-	-
Amortisation expense	(6,439)	-
Balance at the end of the financial year	<u>13,992</u>	<u>-</u>
	<u>109,913</u>	<u>24,029</u>

PARADIGM BIOPHARMACEUTICALS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 30 June 2020

	2020	2019
	\$	\$
9. RIGHT-OF-USE ASSETS		
Land and buildings - right-of-use	967,258	-
Less: Accumulated depreciation	(134,341)	-
	832,917	-

The Consolidated Entity leases land and buildings for its office under agreement of three years with option to extend. On renewal, the extension will be on the same conditions as this lease subject to the terms applicable to extension.

The total additions in relation to this office during the period is \$967,258.

The Consolidated Entity has a sub-tenancy agreement for one year. This is short-term and has been expensed as incurred and not capitalised as the right-of-use asset.

10. TRADE AND OTHER PAYABLES

Trade and other creditors	2,747,735	2,279,403
Shareholder loans	36,589	36,589
	2,784,324	2,315,992

11. EMPLOYEE BENEFITS

Annual leave and on-costs	455,510	388,591
	455,510	388,591

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rate payments in certain circumstances. The entire amount is presented as current since the Consolidated Entity does not have an unconditional right to defer settlement.

12. CURRENT LIABILITIES - LEASE LIABILITIES

Lease liabilities	124,731	-
	124,731	-

13. NON-CURRENT LIABILITY - EMPLOYEE BENEFITS

Long-service leave provision	68,390	-
	68,390	-

14. NON-CURRENT LIABILITY - LEASE LIABILITIES

Lease liabilities	660,730	-
Make good provision	88,228	-
	748,958	-

Make good provision

The provision represents the present value of the estimated costs to make good the premises leased by the Consolidated Entity at the end of the respective lease terms.

PARADIGM BIOPHARMACEUTICALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. NON-CURRENT LIABILITY - LEASE LIABILITIES (cont'd)

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2020	Lease make good \$
Carrying amount at the start of the year	-
Additional provisions recognised	87,463
Amounts transferred to current	-
Unwinding of discount	765
Carrying amount at the end of the year	<u><u>88,228</u></u>

15. ISSUED CAPITAL

	2020 Number of Shares	2019 Number of Shares	2020 \$	2019 \$
Ordinary shares Fully paid	<u>224,747,176</u>	<u>192,207,761</u>	<u>145,865,076</u>	<u>109,468,292</u>

The following movements in issued capital occurred during the year:

	Number of Shares	Number of Shares	\$	\$
Ordinary Shares				
Balance as at the beginning of the period	192,207,761	123,963,792	109,468,292	26,940,674
Ordinary shares issued	26,923,077	65,476,945	35,000,000	86,962,483
Ordinary shares issue costs (Net of GST)	-	-	(2,338,451)	(5,519,719)
Shares issued under ESP	1,320,088	300,000	-	-
Limited recourse loan repaid under ESP	-	-	1,895,907	-
Exercise of unlisted options	4,296,250	2,467,024	1,839,328	1,084,854
Balance as at the end of the period	<u>224,747,176</u>	<u>192,207,761</u>	<u>145,865,076</u>	<u>109,468,292</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Consolidated Entity in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Consolidated Entity does not have a limited amount of authorised capital.

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

PARADIGM BIOPHARMACEUTICALS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. ISSUED CAPITAL (cont'd)

Capital risk management

The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Consolidated Entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Consolidated Entity's share price at the time of the investment. The Consolidated Entity is not actively pursuing additional investments in the short-term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Consolidated Entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

	2020	2019
	\$	\$
16. SHARE BASED PAYMENT RESERVE		
Balance as at the beginning of the period	4,072,844	2,030,669
Fair values of shares issued/to be issued to eligible employees under the ESP	490,936	1,728,963
Fair values of options issued to third party under the share-based payment arrangement	786,568	313,212
Transfer from share reserve	(1,765,159)	-
	3,585,189	4,072,844

Once approved by the Board, monies are loaned by the Consolidated Entity interest free and on a non-recourse basis to participants to finance the purchase of shares in the company. The ESP shares are registered in the name of participants but are subject to a restriction on disposal for a period of five years (from date of issue) and for further periods whilst they remain financed. On cessation of employment, the entitlement to any shares held for less than three years is pro-rated.

On 10 July 2020, a further invitation of ESP shares of 2,215,000 based on 2020 performance were approved and issued on at a price of \$3.24 per share. These shares were issued on vesting conditions. Each tranche of shares will vest in 12 months, 24 months and 36 months.

Fair values at loan date are determined using a Binomial Hedley 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 weighted average share price during the financial year was \$2.58. Throughout the period a number of share options were issued in the period in relation to services rendered by third parties. These predominantly relate to services provided around capital raising.

PARADIGM BIOPHARMACEUTICALS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 30 June 2020

16. SHARE OPTIONS RESERVE (cont'd)

Set out below are summaries of options granted under the Employee Share plan:

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
7/11/2019	7/11/2024	\$2.93	5,805,000	1,320,088	(4,211,570)	2,913,518
			5,805,000	1,320,088	(4,211,570)	2,913,518

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
26/11/2018	26/11/2023	\$1.15	5,505,000	300,000	-	5,805,000
			5,505,000	300,000	-	5,805,000

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follow:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Fair value at grant date
7/11/2019	7/11/2024	\$2.93	\$2.93	82.00%	0.00%	\$1.54

In addition, the Consolidated Entity has the following unlisted options as at 30 June 2020: -

- (i) 1,000,000 unlisted options exercisable at \$0.45 each on or before 27 September 2020 in accordance with existing corporate services mandate; the weighted average remaining contractual life of options outstanding at the end of the financial year was 0.24 years;
- (ii) 35,000 unlisted options exercisable at \$0.312 each on or before 15 November 2020 in accordance with existing corporate services mandate; the weighted average remaining contractual life of options outstanding at the end of the financial year was 0.38 years;
- (iii) 861,250 unlisted options exercisable at \$0.65 each on or before 18 May 2021 in accordance with existing corporate services mandate; the weighted average remaining contractual life of options outstanding at the end of the financial year was 0.88 years;
- (iv) 275,000 unlisted options exercisable at \$1.75 each on or before 28 February 2023 in accordance with existing corporate services mandate the weighted average remaining contractual life of options outstanding at the end of the financial year was 2.67 years; and
- (v) 550,000 unlisted options exercisable at \$1.75 each on or before 24 March 2023 in accordance with existing corporate services mandate the weighted average remaining contractual life of options outstanding at the end of the financial year was 2.73 years.

PARADIGM BIOPHARMACEUTICALS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. SHARE OPTIONS RESERVE (cont'd)

Set out below are summaries of options granted to external companies for services rendered in the period:

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
7/09/2019	24/03/2023	\$1.75	-	550,000	-	550,000
7/09/2019	28/02/2023	\$1.75	-	275,000	-	275,000
18/05/2018	18/05/2021	\$0.65	1,000,000	-	(138,750)	861,250
7/05/2018	7/05/2021	\$0.45	1,000,000	-	(1,000,000)	-
16/11/2017	15/11/2020	\$0.31	192,500	-	(157,500)	35,000
27/09/2017	27/09/2020	\$0.45	2,000,000	-	(1,000,000)	1,000,000
19/01/2017	19/01/2020	\$0.40	2,000,000	-	(2,000,000)	-
			6,192,500	825,000	(4,296,250)	2,721,250

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
18/05/2018	18/05/2021	\$0.65	1,000,000	-	-	1,000,000
7/05/2018	7/05/2021	\$0.45	1,000,000	-	-	1,000,000
16/11/2017	15/11/2020	\$0.31	350,000	-	(157,500)	192,500
27/09/2017	27/09/2020	\$0.45	2,000,000	-	-	2,000,000
19/01/2017	19/01/2020	\$0.40	2,000,000	-	-	2,000,000
7/08/2015	7/08/2018	\$0.375	952,382	-	(952,382)	-
7/08/2015	7/08/2018	\$0.50	1,357,142	-	(1,357,142)	-
			8,659,524	-	(2,467,024)	6,192,500

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the the grant date, are as follow:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Fair value at grant date
7/09/2019	24/03/2023	\$1.95	\$1.75	82.00%	0.00%	\$0.95
7/09/2019	28/02/2023	\$1.95	\$1.75	82.00%	0.00%	\$0.95
18/05/2018	18/05/2021	\$0.53	\$0.65	90.00%	0.00%	\$0.24
16/11/2017	15/11/2020	\$0.28	\$0.31	90.00%	0.00%	\$0.15
27/09/2017	27/09/2020	\$0.32	\$0.45	90.00%	0.00%	\$0.13

During the reporting period, the Company issued a number of options in relation to work undertaken around the clinical trials. These are subject to the achievement of specific milestones been met. Two tranches of 275,000 and 550,000 options were issued on the first 10 patents been successfully treated in which the milestones were met in the current financial year. A further 825,000 options will be issue on the 40th patient successfully completing the treatment.

PARADIGM BIOPHARMACEUTICALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

	2020	2019
	\$	\$
17. ACCUMULATED LOSSES		
Balance as at the beginning of the period	(30,734,818)	(15,107,274)
Loss for the accounting period	(12,298,887)	(15,627,544)
Transfer from share reserve	1,765,159	-
	(41,268,546)	(30,734,818)

18. COMMITMENTS

The Consolidated Entity had no capital commitments as at 30 June 2020 and 30 June 2019.

19. CONTINGENCIES

The Consolidated Entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

20. EARNINGS PER SHARE

Net loss for the year attributable to ordinary shareholders	(12,298,887)	(15,627,544)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	201,106,450	143,042,225
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	2,721,250	6,192,500
Weighted average number of ordinary shares used in calculating diluted earnings per share	203,827,700	149,234,725
	Cents	Cents
Basic earnings per share	(0.0612)	(0.1093)
Diluted earnings per share	(0.0612)	(0.1093)

21. FINANCIAL INSTRUMENTS DISCLOSURE

The Consolidated Entity's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and accounts payable.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies of these Financial Statements, are as follows:

Financial assets

Current

Cash and cash equivalents	103,922,241	78,836,173
Trade and other receivables	3,509,777	3,532,227
Term deposits	746,200	-
	108,178,218	82,368,400

PARADIGM BIOPHARMACEUTICALS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 30 June 2020

	2020	2019
	\$	\$
21. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)		
Financial liabilities		
Current		
Trade and other payables	2,784,324	2,315,992
Lease liabilities	124,731	-
	2,909,055	2,315,992
Non-current		
Lease liabilities	748,958	-
	748,958	-

Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Consolidated Entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Consolidated Entity's income and expenses or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Equity price risk

The Consolidated Entity is currently not subject to equity price risk movement.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Consolidated Entity uses. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets and investment decisions are governed by the monetary policy.

During the year, the Consolidated Entity had no variable rate interest bearing liability.

It is the Consolidated Entity's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Consolidated Entity's receivables from customers and investment securities.

The Consolidated Entity does not presently have customers and consequently does not have credit exposure to outstanding receivables. Trade and other receivables represent GST refundable from the Australian Taxation Office and R&D Tax incentive claims. Trade and other receivables are neither past due nor impaired.

PARADIGM BIOPHARMACEUTICALS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 30 June 2020

21. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility. The Consolidated Entity's exposure to financial obligations relating to corporate administration and projects expenditure, are subject to budgeting and reporting controls, to ensure that such obligations do not exceed cash held and known cash inflows for a period of at least 1 year.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2020	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	2,747,735	-	-	-	2,747,735
Other payables	-	36,589	-	-	-	36,589
<i>Interest-bearing - fixed rate</i>						
Lease liability	4.70%	124,731	124,731	624,227	-	873,689
Total non-derivatives		2,909,055	124,731	624,227	-	3,658,013

Fair value of financial assets and liabilities

The fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Consolidated Entity is equal to their carrying value.

Foreign currency risk

The Consolidated Entity's exposure to currency risk is minimal at this stage of the operations.

Commodity price risk

The Consolidated Entity's exposure to price risk is minimal at this stage of the operations.

22. RELATED PARTIES

Parent entity

The Parent Entity is Paradigm Biopharmaceuticals Limited.

Controlled entities

The controlled entities are Paradigm Health Sciences Pty Ltd, Xosoma Pty Ltd and C4M Pharmaceuticals Pty Ltd. The Consolidated Entity also established Paradigm Biopharmaceuticals (Ireland) Limited in July 2019 and Paradigm Biopharmaceuticals (USA) Inc. in March 2020.

In the Financial Statements of the Consolidated Entity, investments in subsidiaries are measured at cost. All entity interests held are fully paid ordinary shares or units.

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

PARADIGM BIOPHARMACEUTICALS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 30 June 2020

22. RELATED PARTIES (cont'd)

Name	Principal place of business	Ownership interest	
		2020	2019
		%	%
Paradigm Health Sciences Pty Ltd	Australia	100.00%	100.00%
Xosoma Pty Ltd	Australia	100.00%	100.00%
C4M Pharmaceuticals Pty Ltd	Australia	100.00%	100.00%
Paradigm Biopharmaceuticals (Ireland) Limited	Ireland	100.00%	-
Paradigm Biopharmaceuticals (USA) Inc.	USA	100.00%	-

Subsidiaries

An inter-company loan exists between Paradigm Biopharmaceuticals Limited (Parent) and Paradigm Health Sciences (Subsidiary) of amounts owing to Paradigm Biopharmaceuticals Limited \$334,061 (2019: \$334,061).

Receivable from and payable to related parties

There were no transactions that took place to or from related parties at the current and previous reporting date.

2020	2019
\$	\$

23. PARENT ENTITY DISCLOSURES

Set out below is the supplementary information about the parent entity

Statement of profit or loss and other comprehensive income

Loss after income tax	(12,298,887)	(15,627,544)
-----------------------	---------------------	---------------------

Statement of financial position

Total current assets	108,807,266	82,839,565
Total Assets	112,573,536	85,720,805
Total current liabilities	3,396,366	2,667,994
Total Liabilities	4,145,324	2,667,994
Total Equity	108,428,212	83,052,811

There are no guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments

The parent entity had no capital commitments as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity.

PARADIGM BIOPHARMACEUTICALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

	2020 \$	2019 \$
24. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Loss for the year	(12,298,887)	(15,627,544)
Depreciation and amortisation	213,118	8,348
Impairment loss	-	6,928,984
Share-based payment	1,277,504	2,042,175
Change in operating assets and liabilities		
(Increase)/decrease in receivables	22,450	(797,448)
(Increase)/decrease in prepayments	(55,267)	(45,140)
Increase/(decrease) in trade creditors and accruals	751,025	1,125,530
Net cash used in operating activities	(10,090,057)	(6,365,095)

25. NON- CASH INVESTING AND FINANCING ACTIVITIES

Additions to the right-of-use assets	967,258	-
Leasehold improvements - lease make good	88,228	-
Shares issued/to be issued under employee share plan	490,936	1,728,963
options issued to third party under the share-based payment arrangement	786,568	313,212
	2,332,990	2,042,175

26. CHANGED IN LIABILITES ARISING FROM FINANCIAL ACTIVITIES

Consolidated	Lease liability \$	Total \$
Balance at 30 June 2019	-	-
Net cash from/(used in) financing activities	(93,569)	(93,569)
Acquisition of leases	967,257	967,257
Other changes	-	-
Balance at 30 June 2020	873,688	873,688

27. EVENTS SUBSEQUENT TO REPORTING DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

28. KEY MANAGEMENT PERSONNEL REMUNERATION DISCLOSURES

The aggregate remuneration made to directors and other members of key management personnel of the Consolidated Entity is set out below:

Short-term employee benefits	797,500	745,000
Post-employment benefits	75,763	70,775
Share-based payments	-	492,513
	873,263	1,308,288

PARADIGM BIOPHARMACEUTICALS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 30 June 2020

	2020 \$	2019 \$
29. AUDITOR'S REMUNERATION NOTE		
During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company		
<i>Audit services - RSM Australia Partners</i>		
Audit or review of the financial statements	64,162	62,672
	64,162	62,672
<i>Other services - RSM Australia Partners</i>		
Preparation of the tax return and other tax matters	21,821	10,000
R&D Tax incentive claim	104,437	59,212
	126,258	69,212
	190,420	131,884

PARADIGM BIOPHARMACEUTICALS LIMITED
DIRECTORS' DECLARATION

In the Directors opinion

- (a) the Financial Statements and notes thereto and the Remuneration Report contained in the Directors' Report are in accordance with the *Corporations Act 2001 and other mandatory professional reporting requirements*;
- (b) the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- (c) the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;
- (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act for the financial year ending 30 June 2020.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Paul Rennie
Interim Chairman

Dated at Melbourne, Victoria this 27th day of August 2020.

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

To the Members of Paradigm Biopharmaceuticals Limited

Opinion

We have audited the financial report of Paradigm Biopharmaceuticals Limited (the Company), and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued.)

Key Audit Matter	How our audit addressed this matter
Impairment of Intangible Assets Refer to Note 7 in the financial statements	
<p>The Group has intangible assets of \$2,947,588 relating to Patent costs for ongoing projects in the development of numerous biopharmaceutical drugs. These are subject to an annual impairment test, as they are not yet available for use.</p> <p>We identified this area as a key audit matter due to the size of the intangible assets balance and because the directors' assessment of the 'value in use' of the cash generating unit ("CGU") involves judgements about the future underlying cash flows of the business and the discount rates applied to them.</p> <p>For the year ended 30 June 2020 management have performed an impairment assessment over the intangible assets balance by:</p> <ul style="list-style-type: none"> • Assessing for each project the success to date in line with agreed milestones including any clinical trial data; and other statistical test results; • Assessing additional funding to be spent on the projects and the plan going forward including the use of the Patent for other purposes; and • Calculating the value in use for the Respiratory project using a discounted cash flow model. The model used cash flows (revenues and expenses) for the project for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Group's weighted average cost of capital (WACC). 	<p>Our audit procedures in relation to management's impairment assessment included:</p> <ul style="list-style-type: none"> • Reviewing announcements to date in relation to the details of current developments and results of testing for each project; • Consideration of the market capitalisation of the company compared to the total net assets; • Reviewing historical milestones in line with current progress including future projected spending on each project to assess the viability and continuity of each of these; and • Reviewing the cash flow model for the Respiratory project, including: <ul style="list-style-type: none"> – Challenging the reasonableness of key assumptions, including the cash flow projections, discount rates, and sensitivities used; and – Checking the mathematical accuracy of the cash flow model, and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

Key Audit Matters (continued.)

Key Audit Matter	How our audit addressed this matter
Share based payments Refer to Note 16 in the financial statements	
<p>The Group has an employee share plan (“ESP”) as part of the remuneration packages of directors and employees.</p> <p>Share options with performance-based vesting conditions have also been issued to consultants for services provided to the Group.</p> <p>We identified share-based payments as a key risk due the complexity in the valuation of the options issued, and the estimates made by management in relation to the achievement of vesting conditions.</p>	<p>Our audit procedures in relation to share based payments included:</p> <ul style="list-style-type: none"> • Reviewing the reasonableness of option valuation inputs into the Binomial Options Pricing Model including assessment of the share volatility rates applied in comparison to entities in the similar industry; and • Performing a recalculation of the Binomial Options Pricing Model for a sample of options issued; • Testing a sample of options issued to signed ESP agreements and signed contracts with consultants; • Reviewing the accounting for the share-based payments in accordance with AASB 2 Share-based Payments; and • Reviewing the reasonableness of management’s estimates of the likelihood of the achievement of vesting conditions for the options issued.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group's to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group's or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Paradigm Biopharmaceuticals Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**RSM AUSTRALIA PARTNERS****B Y CHAN**

Partner

Dated: 28 August 2020
Melbourne, Victoria

PARADIGM BIOPHARMACEUTICALS LIMITED
SHAREHOLDER INFORMATION

Details of shares and options as at 17 August 2020:

Top holders

The 20 largest holders of each class of equity security as at 17 August 2020 were:

Fully paid ordinary shares

Name	No. of Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,293,732	5.86%
KZEE PTY LTD <KZEE SUPERANNUATION FUND A/C>	10,781,467	4.75%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,966,450	3.51%
PAUL JOHN RENNIE	7,630,400	3.36%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	5,106,723	2.25%
CITICORP NOMINEES PTY LIMITED	5,010,176	2.21%
NANCY EDITH WILSON-GHOSH <GHOSH FAMILY A/C>	3,860,835	1.70%
MJGD NOMINEES PTY LTD <BSMI A/C>	2,768,232	1.22%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,700,323	1.19%
V REDFORD PTY LTD <REDFORD S/F A/C>	2,505,419	1.10%
MR EVAN PHILIP CLUCAS + MS LEANNE JANE WESTON <KURANGA NURSERY SUPER A/C>	2,427,913	1.07%
MR BRETT LANGAN	2,403,432	1.06%
JGM INVESTMENT GROUP PTY LTD <MUCHNICKI FAMILY A/C>	2,185,715	0.96%
SANDHURST TRUSTEES LTD <COLLINS ST VALUE FUND A/C>	2,177,947	0.96%
HIMSTEDT & CO PTY LTD <THE HIMSTEDT FAMILY A/C>	1,921,871	0.85%
BNP PARIBAS NOMS PTY LTD <DRP>	1,820,100	0.80%
IRWIN BIOTECH NOMINEES PTY LTD <BIOA A/C>	1,802,490	0.79%
VIEW 26 PTY LTD <VIEW 26 A/C>	1,650,000	0.73%
MS LENNA YU LING TYE	1,521,631	0.67%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	1,492,100	0.66%
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES	81,026,956	35.70%
Total Remaining Holders Balance	145,935,220	64.30%

Distribution schedules

A distribution of each class of equity security as at 17 August 2020:

Fully paid ordinary shares

Range	Total holders	Units	% of Issued Capital
1 - 1,000	5,546	2,922,949	1.29
1,001 - 10,000	7,106	27,261,929	12.01
10,001 - 100,000	1,998	55,402,696	24.41
100,001 - 500,000	183	37,260,089	16.42
500,001 - 1,000,000	19	13,576,296	5.98
1,000,001 - 20,000,000	29	90,538,217	39.89
Total	14,881	226,962,176	100.00

PARADIGM BIOPHARMACEUTICALS LIMITED
SHAREHOLDER INFORMATION (CONT'D)

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Consolidated Entity, are set out below:

Substantial shareholder	Number of Shares
PAUL RENNIE AND RELATED COMPANIES	19,509,222
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,293,732
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,966,450
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	5,106,723
CITICORP NOMINEES PTY LIMITED	5,010,176

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 500 shares at 17 August 2020):

Holders	Units
570	73,785

Voting Rights

The voting rights attaching to ordinary shares are:

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

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

PARADIGM BIOPHARMACEUTICALS LIMITED
CORPORATE GOVERNANCE STATEMENT

The Board and management of Paradigm Biopharmaceuticals Limited (Consolidated Entity) are committed to conducting the business of the Consolidated Entity in an ethical manner and in accordance with the highest standards of corporate governance. The Consolidated Entity has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) to the extent appropriate to the size and nature of the Consolidated Entity's operations.

This Corporate Governance Statement is accurate and up to date as at 30 June 2020 and has been approved by the Board on 27 August 2020.

The Corporate Governance Statement is available on the Consolidated Entity's website at:

<http://www.paradigmbiopharma.com/investors/corporate-governance>

END OF REPORT