ASX RELEASE

28 July 2017

June Quarter Update

Key Highlights:

- Interim results from the Phase 2 trial for Bone Marrow Edema (bone bruising) expected over the coming months.
- Post quarter end, Paradigm successfully initiated its Phase 2 Alphavirus clinical trial of PPS for the treatment of Ross River virus; participant dosing expected over the coming weeks.
- The imminent commencement of the Ross River trial signifies strong momentum and depth in Paradigm's clinical trial pipeline, making it the Company's fourth clinical trial since listing.
- US Department of Defense has expressed interest in the Alpha virus (Chikungunya) treatment.
- Cash balance as at 30 June 2017, of $2.6 million, supported by the Queensland Government's non-dilutive grant of $300,000 to Paradigm and Griffith University for Ross River trial.
- Paradigm expects to receive its R&D Tax Incentive of $1.8 million in Q3 CY2017.

Paradigm Biopharmaceuticals Ltd (ASX:PAR) is pleased to provide its quarterly update for the three months ending 30 June 2017 to accompany its Appendix 4C cash flow report for the period.

Clinical Development Progress

Alphaviruses

Post-quarter end, Paradigm successfully initiated its two trial sites for its Phase 2 Alphavirus clinical trial of the drug PPS for the treatment of Ross River virus.

The initiation of the two sites at Mater Research in Brisbane, Queensland and Barwon Health in Geelong, Victoria and the receipt of ethics approval means the Company can commence participant recruitment for the trial, with the dosing of the first participant expected in the coming weeks.

The imminent commencement of the trial signifies strong momentum and depth in Paradigm's clinical trial pipeline, making it the Company's fourth clinical trial since listing on the ASX.

The randomised, double-blinded placebo-controlled clinical trial will treat a total of 24 subjects across both trial sites. People with RRV-induced arthralgia (painful joints) will be evaluated for safety, tolerability and effects on disease symptoms.

The site initiation also followed Paradigm and Griffith University receiving a non-dilutive grant of AU$300,000 from the Queensland Government during the quarter to accelerate the development of PPS to treat Ross River virus.

Preparations for a Phase 2 clinical trial for Chikungunya (South America) have also commenced.

The Company has received positive feedback from the US Department of Defense re the use of PPS to treat service people infected with Chikungunya. The market will be kept up to date with these developments over the next 3 – 6 months. Globally there are over 3 million new cases of Chikungunya per year.

Bone Marrow Edema (bone bruising)

Paradigm is also progressing well with its Phase 2 trial for bone marrow edema (bone bruising) with eleven participants treated and interim results expected over the coming months.

Paradigm is conducting an open label clinical trial investigating the safety and tolerability of ZILOSUL® in participants with a bone marrow edema from a recent anterior cruciate ligament (ACL) injury.

Paradigm has had its bone marrow edema case-study accepted for publication in a peer-reviwed journal and it will be published on our website in the coming month or two.

Bone marrow edema lesions (BMEL) are present in acute musculoskeletal injuries such as ruptured ACL but also in chronic conditions such as osteoarthritis and rheumatoid arthritis making treatment of BMEL's a multi-billion dollar opportunity.

Allergic Rhinitis (Hay Fever)

During the quarter, Paradigm was verbally informed by its Contract Research Organisation that its Phase 2a allergic rhinitis (hay fever) clinical trial did not meet its primary endpoints (total nasal symptom score and peak nasal respiratory flow) using the current nasal PPS formulation.

The Company anticipates receiving the final report shortly allowing for an independent expert to conduct an in-depth investigation, in order to determine the next steps for the allergic rhinitis program.

Whilst the result was an unexpected outcome, it should be noted that the result does not affect Paradigm's other programs and that the Company conducted the Phase 2a clinical trial to the highest possible quality standards and was professionally executed within budget and on time.

Paradigm's respiratory patent covers the use of PPS to treat allergic rhinitis (hay fever), asthma and COPD. After careful review of the allergic rhinitis data we will be in a position to outline our clinical developments plans for our respiratory franchise.

Expansion of Drug Development Pipeline

During the quarter, Paradigm Biopharma successfully expanded its drug development pipeline by in-licensing from the University of Oslo, Norway, a patent claiming PPS for the treatment of heart failure.

There is exciting medical potential for PPS in the treatment of heart failure – a condition with a significant unmet medical need. Mortality rates for the condition are high, reaching 50% at five years from diagnosis[1] (first heart attack). Meanwhile, the global market for heart failure drugs is estimated to be US$18 billion per annum[2] with all current available treatments unable to stop or reverse disease progression.

Paradigm's patent is founded upon compelling preclinical data on the use of PPS in an established heart failure model (peer-reviewed and published), specifically:

- improved systolic function of the heart (pressure in the arteries)
- the potential to stop or reverse disease progression in heart failure, addressing an important unmet medical need

Paradigm will utilise PPS's well-established safety data to fast-track development under the FDA 505(b)(2) pathway (drug repurposing).

Financial and Corporate Update

As at 30 June 2017, the Company's cash balance was $1.6 million with the cash balance supported by the receipt of the non-dilutive grant from the Queensland government during the quarter.

Paradigm Biopharma has sufficient cash to complete its Phase 2 clinical trial programs.

The Appendix 4C report attached to this report contains the Company's cash flow statement for the quarter.

Outlook

Paradigm Biopharma is expecting first participant dosing for its Phase 2 Alphavirus clinical trial over the coming weeks, following the successful initiation of the two trial sites in Queensland and Victoria in early July. Preparations for a Phase 2 clinical trial for Chikungunya (South America) have also commenced.

The Company is also progressing well with its Phase 2 trial for bone marrow edema (bone bruising) with eleven patients treated and interim results expected over the coming months. Paradigm is

[1] New England Journal of Medicine, Levi D et al. 2002

[2] Calculated from information relating to the sales of compounds/treatments in the heart failure market from 2014-2016 – Statins US$13.1bn (Research and Markets - Global Statin Market 2015-2016), Clopidogrel bisulphate US$1.8bn, Beta-blockers US$1.55bn, Ace inhibitors US$0.47bn, Aspirin US$0.54bn, Vitamin K antagonist US$0.5bn (www.pharmacompass.com), http://www4.dr-rath-foundation.org/Newsletter/articles/bad-news-for-the-pharma-cartel-statin-profits-collapsing-cholesterol-bubble-has-burst.html, www.gbiresearch.com

conducting an open label clinical trial investigating the safety and tolerability of ZILOSUL® in patients with a bone marrow edema from a recent anterior cruciate ligament (ACL) injury.

Paradigm Biopharma also expects to receive ethics approval in Q4 2017 for a randomised, double-blind, placebo-controlled Phase 2b clinical trial to investigate PPS in subjects with osteoarthritis and bone marrow edema lesions. This study is scheduled to commence in Q4 CY2017.

Mr Paul Rennie, Paradigm's Chief Executive Officer said: "We are confident of achieving further significant milestones with our clinical development pipeline over the remainder of CY2017 following the successful site initiations for our Phase 2 Alphavirus clinical trial for Ross River virus and the completion of our Phase 2 bone marrow edema clinical trial".

"Over the next six months we have a clear focus on finalizing the Phase 2 bone marrow edema clinical trial and completing the Phase 2 randomised, double-blind, placebo controlled Ross River clinical trial. We have a clear and sharp focus on the completion of these trials which we expect will be major value inflexion events for our company" he also said.

FOR FURTHER INFORMATION PLEASE CONTACT:

Paul Rennie
Director & CEO
Paradigm BioPharmaceuticals Ltd
Level 2, 517 Flinders Lane, Melb, VIC, 3000, AUSTRALIA
ABN: 94 169 346 963
Web: http://paradigmbiopharma.com/
Email: prennie@paradigmbiopharma.com
Mobile International: +61 437 778 300
Mobile (Australia): 0437 778 300

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Paradigm Biopharmaceuticals Limited

ABN	**Quarter ended ("current quarter")**
94 169 346 963	30 June 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(1,076)	(4,243)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(151)	(516)
	(f) administration and corporate costs	(241)	(1,079)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	28
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	1,340
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,462)**	**(4,470)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(20)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
	(d) intellectual property	(59)	(1,902)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(59)**	**(1,922)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	6,504
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(1)	(519)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(1)**	**5,985**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,113	2,998
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,462)	(4,470)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(59)	(1,922)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1)	5,985

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**2,591**	**2,591**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	2,591	4,113
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,591**	**4,113**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	60
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Payments to Chairman and Non-Executive Directors

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	NIL	NIL
8.2	Credit standby arrangements	NIL	NIL
8.3	Other (please specify)	NIL	NIL

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Research and development	701
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	142
9.6	Administration and corporate costs	148
9.7	Other (provide details if material)	-
9.8	**Total estimated cash outflows**	**991**

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity	N/A	N/A
10.2	Place of incorporation or registration	N/A	N/A
10.3	Consideration for acquisition or disposal	N/A	N/A
10.4	Total net assets	N/A	N/A
10.5	Nature of business	N/A	N/A

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.



28 July 2017

Sign here: ..... Date: .....
(Director/Company secretary)

Kevin Hollingsworth

Print name: .....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.