ASX RELEASE

31 October 2017

September 2017 Quarter Update

Key Highlights:

- Subsequent to quarter end, first participant successfully dosed in Phase 2b clinical trial of Pentosan Polysulfate Sodium (PPS), to treat knee osteoarthritis (OA) and concurrent bone marrow edema lesions (BMELs).
- Paradigm also announced that Physicians reported significant clinical improvements for patients with OA and concurrent BMELs treated with Pentosan Polysulfate Sodium (PPS) under the Therapeutics Goods Administration (TGA) Special Access Scheme (SAS).
- SAS results provide important "Real-World Evidence" (RWE); US FDA allows this to be used in combination with clinical trial data to support product registration for repurposed drugs such as PPS under the FDA 505(b)(2) regulatory pathway.
- Significant momentum in the Phase 2 Ross River virus clinical trial with 25% of the twenty-four-participant total dosed across the initial two trial sites in Victoria and Queensland.
- Cash balance as at 30 September 2017, of $2.2 million.

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

Clinical Development Progress

Osteoarthritis and concurrent Bone Marrow Lesions

Post quarter end, Paradigm announced the successful dosing of its first participant in its Phase 2b clinical trial of the drug, Pentosan Polysulfate Sodium (PPS), to treat knee osteoarthritis (OA) and bone marrow edema lesions (BMELs).

The first participant was treated at Emeritus Research in Malvern East, Victoria.

The trial, which received ethics approval in September, will recruit one hundred participants across five trial sites in Queensland, South Australia, Victoria and Western Australia and trial subjects will be evaluated for safety, tolerability, pain levels and effects on disease symptoms. Paradigm anticipates results from the trial in Q4 CY 2018 or Q1CY 2019.

The dosing of the first participant followed the announcement of significant outcomes for patients with OA and BMELs that were treated by their Doctor with PPS under the Therapeutics Goods Administration (TGA) Special Access Scheme (SAS) also post the end of the quarter.

The Company reported that at six weeks after Doctors initiated the PPS treatment, patients reported the following positive outcomes.

Pain reduction:

- 83.3% (20 out of 24 patients) showed a reduction in pain;

Knee function improvement:

- 79.1% (19 out of 24 patients) showed an improvement in knee function; and

At the onset of PPS treatment:

- All patients were symptomatic with OA pain for at least 6 months and had failed current standard of care which involved treatment with analgesics, NSAIDs (non-steroidal anti-inflammatory drugs) or corticosteroids.
- 70% of the patients had moderate to severe BMELs with a size ranging from five millimetres to more than 20 millimetres in diameter.
- 30% had lesions less than five millimetres in diameter.

The results provide Paradigm with important "Real-World Evidence" (RWE) data – i.e. the data from sources other than traditional clinical trials. The United States Food and Drug Administration (US FDA) allows RWE data to be used in combination with Randomised Controlled Clinical Trials (RCCT) to support product registration for repurposed drugs such as PPS under the FDA 505(b)(2) regulatory pathway.

These results also follow the release of the published case study of PPS in an additional patient with OA and BMELs in September. The published case study can be viewed here: https://bmcmusculoskeletdisord.biomedcentral.com/articles/10.1186/s12891-017-1754-3

The Company is also progressing well with its Open Label Phase 2 trial for eleven participants patients with recently ruptured anterior cruciate ligaments and concurrent bone marrow lesions (bone bruising). The primary endpoints, of safety and tolerability, will be announced with secondary endpoints over the over the coming months.

Alphaviruses

In September, Paradigm announced significant momentum in its Phase 2 Ross River virus clinical trial with 25% of the twenty-four-participant total dosed across the initial two trial sites in Geelong, Victoria and Brisbane, Queensland. This follows the commencement of the trial in August 2017.

In addition, a third trial site was initiated in Echuca, Victoria following the receipt of ethics approval.

The randomised, double-blinded placebo-controlled clinical trial will treat a total of twenty-four subjects across all trial sites. People with RRV-induced arthralgia (painful joints) will be evaluated for safety, tolerability and effects of the drug, PPS, on disease symptoms and results are anticipated in Q2 CY2018.

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

Preparations for a Phase 2 clinical trial for Chikungunya (South America) are also progressing well.

Financial and Corporate Update

As at 30 September 2017, the Company's cash balance was $2.2 million.

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

Outlook

Following the dosing of the first participant in its Phase 2b clinical trial of the drug, Pentosan Polysulfate Sodium (PPS), to treat knee osteoarthritis (OA) and concurrent bone marrow lesions (BMELs) and the positive results from the 24 patients with OA and BMELs treated under the TGA SAS, Paradigm plans to generate an additional 75 case studies by Q4 CY2018.

Paradigm also expects to initiate a fourth trial site for its Phase 2 Ross River virus clinical trial in the Gold Coast, Queensland over the coming weeks.

Mr Paul Rennie, Paradigm's Chief Executive Officer said: "Post the end of the quarter, we have achieved significant progress with our OA programme with the dosing of the first participant in our Phase 2b clinical trial to investigate PPS in subjects with BMELs and OA and the publication of the outcomes of Physicians' patients treated under the TGA SAS. We hope that PPS could be a promising, safe and effective treatment for BMELs in people with OA – a condition with significant unmet medical need. Most current OA treatments do not effectively address the disease and can have destructive effects on joint structure or adverse side effects."

He added: "At the same time, we are confident of achieving further significant milestones with the remainder of our clinical development pipeline over the remainder of CY2017 following the progress with our Phase 2 Alphavirus clinical trial for Ross River virus."

FOR FURTHER INFORMATION PLEASE CONTACT:

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+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 September 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(1,443)	(1,443)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(132)	(132)
	(f) administration and corporate costs	(522)	(522)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,774	1,774
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(320)**	**(320)**

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

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(d) intellectual property	(59)	(59)
	(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**	**(61)**	**(61)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
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	-	-
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**	**-**	**-**

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	2,591	2,591
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(320)	(320)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(61)	(61)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**2,210**	**2,210**

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	2,210	2,210
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)**	**2,210**	**2,210**

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	609
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	162
9.6	Administration and corporate costs	213
9.7	Other (provide details if material)	-
9.8	**Total estimated cash outflows**	**984**

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.



31 October 2017

Sign here: ..... Date: .....
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.