ASX/Media Release

15 April 2019

Paradigm launches a A$77.9m capital raise comprising a $51.5m placement and a $26.3m underwritten accelerated entitlement offer to fund the Company's clinical trial program

Key highlights

- **Paradigm launches a A$77.9m capital raise anticipated to fund the Company's osteoarthritis (OA) and mucopolysaccharidosis (MPS) programs through to the end of their pivotal phase 3 studies, new drug applications, working capital, costs of offer, further preclinical studies and possibly further intellectual property acquisitions.**
- **The capital raise comprises a $51.5m placement to sophisticated and professional investors and a 1 for 8 $26.3m accelerated non-renounceable entitlement offer which is underwritten by Bell Potter**
- **In conjunction with the Offer the Company has released an announcement that it has successfully met the primary endpoint and secondary endpoints of its Phase 2b trial in Osteoarthritis of the knee. Secondary endpoints included:**
  - **Duration of effect now demonstrated out to day 165**
  - **Reduction in bone marrow lesion (BML) grade, volume and area at day 53**
- **BML reduction signals possible remission of disease, in conjunction with previously demonstrated statistically significant reduction in pain and improvement in function.**
- **Paradigm will have a cash position of $82m post the capital raising which will put the Company in a strong negotiating position for commercial transactions.**

Paradigm Biopharmaceuticals (ASX: PAR) 15 April 2019: ASX listed biotechnology company Paradigm Pharmaceuticals Limited (ASX: PAR, "**Paradigm**" or the "**Company**") is pleased to announce the launch of a A$77.9m capital raise ("**Offer**"). The Offer comprises a $51.6m placement to professional, institutional and sophisticated investors across Australia, Asia and the US including some existing shareholders ("**Placement**") and a $26.3m underwritten 1 for 8 accelerated non renounceable entitlement offer ("**Entitlement Offer**") to all eligible shareholders registered with an address in Australia or New Zealand as at the Record Date (namely 7.00pm Wednesday 17 April), with the Company reserving the right (in accordance with ASX Listing Rule 7.2 exception 3) to place any shortfall.

Bell Potter Securities Limited acted as lead manager to the Placement and as lead manager and underwriter to the Entitlement Offer.

Placement and Entitlement Offer

The Placement will result in the issue of 34,370,099 shares and the Entitlement Offer will result in the issue of 17,537,431 shares, at an offer price of A$1.50 per share. The offer price represents a 21.1% discount to last close on 10 April 2019.

All New shares issued will rank equally with existing ordinary shares. Settlement of the Placement and Institutional Entitlement offer is expected to occur on Wednesday, 24 April 2019, with new shares allotted the trading next day. The Retail Entitlement Offer is expected to close on Monday, 6 May 2019.

Use of proceeds

The funds from the Offer will be used to commence the OA phase 3 pivotal trial in the US, EU and Australia. Additionally, the funds will be used by the company to complete the phase 2/3 pivotal clinical trial in MPS. The proposed use of funds is outlined in further detail below:

Complete Phase 2/3 MPS (Rare Disease) Pivotal Clinical Trial	**A$7.0m**
Complete Phase 3 Osteoarthritis Pivotal Clinical Trial	**A$30.0m**
Employ US Based staff x 2	**A$3.0m**
Working capital, offer costs, further preclinical studies and IP acquisitions	**A$37.9m**
Total use of funds	**A$77.9m**

Timeline

Indicative Timetable

Release of OA Phase 2B Secondary Endpoints	Pre-market Monday 15 April 2019
Trading Halt extended through	Monday 15 April – Tuesday 16 April 2019
Company resumes trading and completion of Institutional Entitlement Offer announced Record date (as at 7.00pm) for eligibility under the Entitlement Offer	Wednesday, 17 April 2019
Settlement of New Shares issued under the Placement and the Institutional Entitlement Offer Retail Entitlement Offer Opens	Wednesday 24 April 2019
Allotment of New Shares issued under the Placement	Friday, 26 April 2019

Retail Entitlement Offer closes	Monday, 6 May 2019
Retail Entitlement Offer shares are allotted	Tuesday, 14 May 2019

The timetable is indicative only and the Company reserves the right to amend the dates at its discretion and without notice, subject to the ASX Listing Rules and the *Corporations Act 2001* (Cth) (**Corporations Act**).

About Paradigm Pharmaceuticals

Paradigm Pharmaceuticals Limited (ASX:PAR) is an ASX-listed biotechnology company focused on repurposing Pentosan Polysulfate Sodium (PPS), an FDA approved drug that has a long track record of safely treating inflammation and dissolving blood clots over 60 years. The Company's primary focus is on repurposing PPS (under the name ZILOSUL®) to treat Osteoarthritis (OA) – a market with over 31m sufferers in the US alone.

In December 2018, the Company announced the primary results of its a phase 2b randomised, double blind, placebo controlled multicentre trial investigating subjects with osteoarthritis and concurrent bone marrow edema lesions. Following today's announcement, the Phase 2b trial in OA of the knee has now met primary and secondary endpoints and will move to pivotal phase 3 in the US in 2019.

- Primary endpoint (released Dec 18) - 50% reduction in pain
- Secondary endpoint (released today) – 6-month duration of effect and reduction in volume/size/grade of BML confirmed by MRI

There is a global trend for safe and effective non-opioid and non-steroid pain relief for chronic disease such as osteoarthritis which presents a huge market opportunity for Paradigm's PPS treatment. PPS is the first OA drug in a Phase 2b trial to demonstrate the combination of safety, subjective efficacy, objective efficacy, indicative regression of disease via reduced BML and mechanism of action. No competing treatments (NGF, steroid, opioid) have demonstrated all in combination.

The Company continues to execute on its drug repurposing strategy. The key benefits of this strategy are lower costs, accelerated development timelines and higher success rates than the standard clinical development timeline.

To learn more please visit: www.paradigmbiopharma.com

For more information, please contact

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