

PAR
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

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(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

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For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

XX

 **For your vote to be effective it must be received by 11:00am (AEDT) Wednesday 8 November 2017**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View the annual report or update your securityholding, 24 hours a day, 7 days a week:

www.investorcentre.com

- ☒ **Review your securityholding**
- ☒ **Update your securityholding**

Your secure access information is:

SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

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Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Paradigm Biopharmaceuticals Limited hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Paradigm Biopharmaceuticals Limited to be held at the offices of K&L Gates, Level 25, South Tower, 525 Collins Street, Melbourne, Victoria on Friday, 10 November 2017 at 11:00am (AEDT) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1 and 5 (except where I/we have indicated a different voting intention below) even though Items 1 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1 and 5 by marking the appropriate box in step 2 below.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

| | For | Against | Abstain |
|---|--------------------------|--------------------------|--------------------------|
| 1 Adoption of Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 Re-election of Chris Fullerton | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 Approval of increased placement capacity | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 Ratification of prior issue | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 Approval of issue of loan shares to Paul Rennie | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

_____ / /
Date

PAR

230108A

Computershare +

PARADIGM BIOPHARMACEUTICALS LIMITED

ACN 169 346 963

NOTICE OF 2017 ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

Meeting to be held at the offices of K&L Gates, Level 25, South Tower, 525 Collins Street,
Melbourne, Victoria on 10 November 2017 commencing at 11:00 am.

This Notice of Annual General Meeting and Explanatory Memorandum should be read in its entirety. If you are in doubt as to how to vote on any of the resolutions, you should seek advice from your accountant, solicitor or other professional adviser without delay.

PARADIGM BIOPHARMACEUTICALS LIMITED

ACN 169 346 963

2017 Notice of Annual General Meeting

Notice is given for the 2017 Annual General Meeting of the Company to be held at Level 25, South Tower, 525 Collins Street, Melbourne Victoria, 3000 at 11:00am on 10 November 2017.

AGENDA

Accounts and Reports

To receive and consider the financial statements and the reports of the Directors and of the Auditors for the year ended 30 June 2017.

Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

"That the Remuneration Report for the year ended 30 June 2017 as set out in the Company's Annual Report for the year ended 30 June 2017 be adopted."

**Please note that section 250R(3) of the Corporations Act 2001 (Cth) provides that the vote on this resolution is advisory only and does not bind the Directors or the Company*

Resolution 2: Re-election of Chris Fullerton

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"To re-elect Chris Fullerton who retires by rotation in accordance with ASX Listing Rule 14.4 and clause 13.3(b) of the Company's Constitution and being eligible, offers himself for re-election as a Director."

Resolution 3– Approval of increased placement capacity

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the increase in the capacity of the Company to issue equity securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions stated in the Explanatory Memorandum which accompanies this Notice of Meeting."


Resolution 4 - Ratification of prior issue

To consider, and if thought fit, to pass the following **ordinary resolution**:

*"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, the Company ratifies the previous issue of a total of 4,000,000 options to purchase shares (**Options**) on the terms and conditions stated in the Explanatory Memorandum which accompanies this Notice of Meeting."*

Resolution 5 – Approval of issue of loan shares to Paul Rennie

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:



"That for the purposes of ASX Listing Rule 10.14, sections 200B, 200E and 259B(2) of the Corporations Act 2001 (Cth) and for all other purposes, Shareholders approve the issue of a total of 210,000 Loan Shares to Paul Rennie at a fixed price of \$0.629 per share pursuant to the Employee Share Plan and otherwise on the terms and conditions outlined in the Explanatory Memorandum which accompanies this Notice of Meeting."

By order of the Board



Kevin Hollingsworth
Company Secretary
28 September 2017

VOTING ENTITLEMENT NOTICE

For the purposes of the Meeting, the Company has determined that in accordance with regulation 7.11.37 of the Corporations Regulations, shares will be taken to be held by the persons registered as holders at 7pm on 8 November 2017. Accordingly, transfers registered after that time will be disregarded in determining entitlements to vote at the Meeting.

PROXIES

A Shareholder entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy form may specify the proportion or number of votes which the proxy may exercise. If it does not specify the proportion or number of votes the proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a Shareholder. Proxy Forms must be lodged in accordance with the directions set out on the Proxy Form not later than 48 hours prior to the Meeting.

Appointment of Proxies

If you are entitled to vote at the Meeting you have the right to appoint a proxy to attend and vote in your place. To appoint a proxy you should complete Step 1 on the attached Proxy Form. If you wish to appoint a person other than the Chairman, you should complete the second panel in Step 1, and not “tick” the first panel.

The proxy need not be a Shareholder of the Company. If you are entitled to cast two or more votes you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the proxy appointments do not specify the proportion or number of your votes that each proxy may exercise, each proxy may exercise half your votes. If there is more than one proxy appointed, on a show of hands only one of the proxies may vote, but on a poll, each proxy may exercise votes in respect of those shares the proxy represents.

The Chairman intends to vote all undirected proxies in favour of the resolutions put in the Notice of Meeting. In particular, if the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman’s intention, namely in favour of each of the proposed resolutions set out in the Notice of Meeting.

If a member has not directed their proxy how to vote, the proxy may vote as the proxy determines. If a member (who is not an Excluded Voter) has appointed as their proxy an Excluded Voter (other than the Chairman), the member may only vote with respect to Resolution 1 by directing their proxy how to vote with respect to Resolution 1. To direct the Excluded Voter as proxy, the member must complete the “for” or “against” or “abstain” at Step 2 of the Proxy Form for Resolution 1.

An “Excluded Voter” for these purposes means collectively one of the Key Management Personnel (as set out on page 12 of the Company’s 2017 Annual Report, and is defined in the Corporations Act to include the Chairman) or one of the Key Management Personnel’s closely related parties (which includes a spouse, dependent and certain other close family members and companies controlled by the Key Management Personnel).

Proxy forms must be received at Computershare Investor Services Pty Limited (GPO Box 242, Melbourne Vic 3001), or by fax, within Australia on 1800 783 447, or outside Australia on +61 3 9473 2555, by no later than 11.00am on 8 November 2017.



Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of the Shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

PARADIGM BIOPHARMACEUTICALS LIMITED

ACN 169 346 963

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting of Shareholders to be held at 11.00am on 10 November 2017 (**Meeting**).

The Meeting will first deal with the usual regulatory requirements for an annual general meeting, namely the laying of the financial reports before the Meeting; the adoption of the Remuneration Report and rotation of directors.

Resolution 3, seeks to give the Company some further flexibility over the following 12 months to be able to issue Shares (subject to the ASX Listing Rules) up to a further 10% of its total share capital without seeking prior shareholder approval, therefore enabling it to be able to move more quickly to seize upon any opportunities, or meet needs, should they arise.

Resolutions 4 concerns the ratification of the issues of options made pursuant to the ongoing Baker Young corporate advisory mandate.

Resolution 5 seeks shareholder approval for the issue of Loan Plan shares to the Company's Managing Director, Mr Paul Rennie, as part of his total remuneration package. The Board in July 2017 considered the remuneration packages of all senior executives of the Company and resolved (in the absence of Mr Rennie) that, subject to shareholder approval, Mr Rennie may be invited to participate in the issue of Loan Plan Shares at the same market price as the other members of the Paradigm executive.

1. Accounts and Reports

The Corporations Act requires the Company to lay before the Annual General Meeting, the Financial Report, Directors' report (including the Remuneration Report) and the Auditor's Report for the financial year ended 30 June 2017.

Shareholders will be offered the opportunity to discuss the Financial Report, Directors' Report and Auditor's Report at the meeting. Copies of these reports can be found on the Company's website www.paradigmbiopharma.com.

There is no requirement for Shareholders to approve the Financial Report, Directors' Report and Auditor's Report. Shareholders will be offered the following opportunities:

- (a) discuss the Annual Report for the financial year ended 30 June 2017;
- (b) ask questions or make comments on the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and preparation and content of the Auditor's Report.

In addition to taking questions at the Annual General Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (d) the preparation and content of the Auditor's Report;
- (e) the conduct of the audit;

- (f) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (g) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Annual General Meeting to the Company Secretary at the Company's registered office.

2. Resolution 1: Adoption of Remuneration Report

Under the Corporations Act, listed entities are required to put to the vote a resolution that the Remuneration Report section of the Directors' Report be adopted. This Remuneration Report can be found in the Company's 2017 Annual Report. It sets out a range of matters relating to the remuneration of Directors, the Company Secretary and Senior Executives of the Company.

A vote on this resolution is advisory only and does not bind the Directors or the Company. A copy of the Company's 2017 Annual Report can be found on its website at www.paradigmbiopharma.com.

The Corporations Act provides that:

- (a) members of the Key Management Personnel whose remuneration details are included in the Remuneration Report (and any closely related party of those members) are not permitted to vote on a resolution to approve the Remuneration Report, and
- (b) if the vote to approve the Remuneration Report receives a "no" vote by at least 25% of the votes cast, this will constitute a "first strike".

As no "first strike" occurred at the Company's 2016 Annual General Meeting for the 2016 Remuneration Report, the current "strike" count is zero. If a "first strike" was to occur at the 2017 Annual General Meeting:

- (c) the Company's subsequent Remuneration Report (in other words, the Company's Remuneration Report to be included in the 2018 Annual Report) must include an explanation of the Board's proposed action in response to the "no vote" or an explanation of why no action has been taken; and
- (d) if the Company's subsequent (i.e. 2018) Remuneration Report also receives a "no vote" at the 2018 Annual General Meeting of at least 25% of the votes cast, then Shareholders at the 2018 Annual General Meeting will be asked (at that 2018 Annual General Meeting) to vote on whether or not the Company is to hold another general Shareholder's meeting (within the following 90 days) to vote on a "spill resolution" under section 250V of the Corporations Act.

Board Recommendation

As set out in the Notice of Annual General Meeting, any member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, together with a closely related party of those members, are excluded from casting a vote on Resolution 1.

Accordingly, the Board abstains from making a recommendation in relation to Resolution 1. The Chairman intends to exercise all undirected proxies in favour of Resolution 1.

Voting Exclusion statement

Voting exclusion:

The Company will disregard any votes cast on Resolution 1 by:

- (a) a member of the KMP; and*
- (b) a closely related party (which includes a spouse, dependent and certain other close family members and companies controlled by the KMP) of those persons.*

However, the Company need not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote in accordance with the direction on the proxy form; or*
- (d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy directs.*

3. Resolution 2: Re-election of Chris Fullerton

Rule 13.3(b) of the Company's Constitution provides that, amongst other things, at each Annual General Meeting, the Director longest in office must retire, and being eligible may offer them self for re-election.

The length of time a Director has been in office is computed from that Director's last election. The Managing Director and Directors appointed to fill casual vacancies are not to be taken into account in determining which Director is to retire by rotation.

As at the date of this Notice of Meeting, the Board of the Company comprised of four Directors who are subject to rotation. The Director longest in office without being re-elected is Chris Fullerton and is therefore required to retire.

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

Mr Fullerton, being eligible, offers himself for re-election.

Board Recommendation

The Directors (other than Mr Fullerton) recommend that Shareholders vote in favour of this Resolution 2.

4. Resolution 3 – Approval of increased placement capacity

ASX Listing Rule 7.1A enables eligible entities, after obtaining shareholder approval at an annual general meeting, to issue equity securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1. This Resolution 3 seeks approval to allow the

Board the flexibility to issue additional Shares if it so decided. The Board may decide not to issue any Shares pursuant to this Resolution 3.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue equity securities under the 10% Placement Facility.

The exact number of equity securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

Description of Listing Rule 7.1A

Any equity securities issued under the 10% Placement Facility (**Placement Securities**) must be in the same class as an existing quoted class of equity securities of the Company. The Company, as at the date of the Notice, has on issue one class of quoted equity securities, being ordinary shares (**Shares**).

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Placement Securities calculated in accordance with the following formula:

$$\text{Additional Capacity} = (A \times D) - E$$

where:

A is the number of shares on issue 12 months before the date of issue or agreement to issue:

(a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

(b) plus the number of partly paid shares that became fully paid in the 12 months;

(c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4;

(d) less the number of fully paid shares cancelled in the 12 months.

D is 10%

E is the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

The issue price of Placement Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of equity securities in the same class calculated over the 15 trading days immediately before:

- (i) the date on which the price at which the Placement Securities are to be issued is agreed; or
- (ii) if the Placement Securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the Placement Securities are issued.

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking), or such longer period if allowed by ASX

(10% Placement Period).

The effect of Resolution 3 will be to allow the Directors to issue the Placement Securities under Listing Rule 7.1A during the 10% Placement Period without using any of the Company's 15% placement capacity under Listing Rule 7.1.

Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

(a) Minimum issue price


If any Placement Securities are issued, the minimum price the Placement Securities will be issued at is the price determined in accordance with the ASX Listing Rule 7.1A.3.

The actual number of Placement Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Placement Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

(b) Effect on existing (non-participating) Shareholders

If Resolution 3 is approved by Shareholders and the Company issues Placement Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:

- (i) the market price for the Company's equity securities may be significantly lower on the date of the issue of the Placement Securities than on the date of the Annual General Meeting; and
- (ii) the Placement Securities may be issued at a price that is at a discount to the market price for the Company's equity securities on the issue date or the Placement Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Placement Securities.



The below table is included for illustrative purposes and shows the potential dilution of existing Shareholders on the basis of the current market price of the Shares as at 26 September 2017 and the current number of Shares for variable "A" (above) calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) Two examples where variable 'A' has increased by 50% and 100%. Variable 'A' is based on the number of Shares the Company has on issue as at the date of this Notice. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing rule 7.1 that are approved at a future shareholders' meeting; and
- (ii) Two examples where the issue price of the Shares has decreased by 50% and increased by 50% as against the current market price.

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Placement Securities available under the 10% Placement Facility.
- (ii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting.
- (iv) The table shows only the effect of issues of Placement Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (v) The issue of Placement Securities under the 10% Placement Facility consists only of Shares
- (vi) The issue price is \$0.325, being the closing price of the Shares on ASX on 26 September 2017.

| Variable 'A' in Listing Rule 7.1A.2 | | \$0.163 50% decrease in Issue Price | \$0.325 Issue Price | \$0.488 50% increase in Issue Price |
|--|----------------------------|--|--------------------------------------|--|
| Current Variable A 101,925,220 Shares | 10% Voting Dilution | 10,192,522 Shares | 10,192,522 Shares | 10,192,522 Shares |
| | Funds raised | \$1,661,381 | \$3,312,570 | \$4,973,951 |
| 50 % increase in current Variable A 152,887,830 Shares | 10% Voting Dilution | 15,288,783 Shares | 15,288,783 Shares | 15,288,783 Shares |
| | Funds raised | \$2,492,072 | \$4,968,854 | \$7,460,926 |
| 100% increase in current Variable A 203,850,440 Shares | 10% Voting Dilution | 20,385,044 Shares | 20,385,044 Shares | 20,385,044 Shares |
| | Funds raised | \$3,322,762 | \$6,625,139 | \$9,947,901 |

(c) Date by which Placement Securities may be issued

The Company will only issue and allot the Placement Shares during the 10% Placement Period, that is, at any time up to around 9 November 2018. An approval given under Resolution 3 for the issue of the Placement Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(d) Purposes for which Placement Securities may be issued

The Company may seek to issue the Placement Securities as non-cash consideration or cash consideration for example for the acquisition of intellectual property assets and/or other investments or assets, or as cash for general working capital purposes.

The Company will comply with the disclosure obligations under Listing Rules 7.1A (4) and 3.10.5A upon issue of any Placement Securities.

(e) Company's share allocation policy

The Company's share allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Placement Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, issues in which existing security holders can participate;
- (ii) the effect of the issue of the Placement Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new intellectual property assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new intellectual property assets or investments.

(f) Issues during the previous 12 months

The total number of equity securities issued in the 12 months preceding the date of this Meeting is 5,594,167, which shares represent 1.56 % of the total number of equity securities on issue at the commencement of the 12 month period.

The following are the details of all issues of equity securities by the Company during the 12 months preceding the date of this meeting:

- (i) *612,500 shares were issued under the Company's Share Purchase Plan on 08 December 2016 at \$0.48 per share, being a 9.1% premium to the market price of the shares on the date of issue.*
- (ii) *140,000 shares were issued pursuant to the Company's Employee Share Plan (ESP) on 08 December 2016 at \$0.3312 per share, being a 24.7% discount to the market price of the shares on the date of issue.*
- (iii) *416,667 shares were issued in the capital of the Company to Paul Rennie on 08 December 2016 (as approved by shareholders) at \$0.48 per share, being a 9.1% premium to the market price of the shares on the date of issue.*
- (iv) *2,000,000 options were issued on 19 January 2017 at \$0.001 per option to Baker Young Stockbrokers Limited (**Baker Young**) in accordance with its existing corporate services mandate with the Company, each option having an exercise price of \$0.40 per option.*

- (v) 425,000 shares were issued pursuant to the Company's Employee Share Plan (ESP) on 30 June 2017 at \$0.629 per share, being a 116.9% premium to the market price of the shares on the date of issue.
- (vi) 2,000,000 options were issued on 27 September 2017 at \$0.0001 per option to Baker Young in accordance with its existing corporate services mandate with the Company, each option having an exercise price of \$0.45 per option.

Recommendation

The Directors of the Company believe that Resolution 3 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution 3.

Voting Exclusion statement

Voting exclusion:

The Company will disregard any votes cast on the proposed Resolution 3 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote on Resolution 3 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or*
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

5. Resolution 4 – Ratification of prior option issue

As announced on 19 January 2017 and 27 September 2017, the Company issued 2,000,000 and 2,000,000 options respectively to purchase fully paid ordinary shares (**Options**) to Baker Young pursuant to the terms of the existing corporate service mandate with Baker Young.

Under Listing Rule 7.1, a company may issue up to 15% of its ordinary share capital in any 12-month rolling period without shareholder approval. Listing Rule 7.4 permits a company to obtain ratification from its shareholders in relation to a prior share issue, and thereby refresh its ability in the future to issue further shares (equivalent in number to the share issue being ratified by this resolution) without obtaining prior shareholder approval.

The issue of the Options was within the 15% limitation imposed by ASX Listing Rule 7.1, however the Company is now seeking shareholder ratification and approval for the issue of these Placement Shares.

Regulatory Requirements

ASX Listing Rule 7.5 requires that the meeting documents concerning a proposed resolution to ratify an issue of securities in accordance with ASX Listing Rule 7.4 must include the following information:

(a) The number of securities the entity issued

A total of 4,000,000 Options (to purchase fully paid ordinary shares) have been issued pursuant to the Company's 15% entitlement under ASX Listing Rule 7.1.

(b) The issue price of the securities:

Consideration payable for the issue of the Options is \$2,200. If all the Options are exercised, it will result in a total exercise price paid to the Company of \$1,700,000.

(c) The terms of the securities

The 2,000,000 Options issued on 19 January 2017 have an exercise price of \$0.40 per Share and an expiry date of 19 January 2020. The 2,000,000 Options issued on 27 September 2017 have an exercise price of \$0.45 per Share and an expiry date of 27 September 2020.

(d) The names of the allottees (or the basis on which the allottees were determined)

Baker Young Stockbrokers Limited.

(e) The intended use of the funds raised:

There were no funds raised from the issue of the Options, and so there is no currently proposed use for the funds if any of the Options are exercised.

(f) Effect of passing of Resolution 4

Resolution 4, if passed, will enable the Company to retain the flexibility to issue the same number of equity securities (as the securities the subject of this resolution) within the next 12 months without the requirement to obtain prior shareholder approval for that number of equity securities.

Recommendation

The Directors of the Company believe that Resolution 4 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution 4

Voting Exclusion statement

Voting exclusion:

The Company will disregard any votes cast on the proposed Resolution 4 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote on Resolution 4 if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or

(b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. Resolution 5 – Approval of Issue of Loan Shares to Paul Rennie

For the purposes of ASX Listing Rule 10.14 the Company seeks shareholder approval for the proposed issue of 210,000 Loan Shares at an issue price of \$0.629 per Share to Paul Rennie (**PR Loan Shares**) pursuant to the terms of the Company's employee share plan (**Employee Share Plan** or **Plan**), resulting in Paul Rennie having a relevant interest in the capital of the Company of a total of 22.13% as at the date of issue of those Shares, the PR Loan Shares representing 0.21% of that relevant interest. The issue price is the same price at which 425,000 Loan Shares were issued to employees on 30 June 2017 pursuant to the terms of the Employee Share Plan.

The Company has not sought shareholder approval under Chapter 2E of the Corporations Act as the Board believes that the total remuneration package for Mr Rennie (including the proposed issues of the PR Loan Shares) represents reasonable remuneration for Mr Rennie and is on reasonable commercial terms for a person in the position of Managing Director of a listed biotechnology company of the nature and size of Paradigm. Further the proposed PR Loan Shares are proposed to be issued at \$0.629 per Loan Share (reflecting the PAR share price in May 2017 when the PAR REM Committee considered employee allotments), which is a 93.5% premium to the current share price of \$0.325.

The PR Loan Shares will be issued on the terms of the Loan Terms (described in Schedule 1). The Company will take security over the PR Loan Shares (and will impose a holding lock) pending repayment of the Loan.

The PR Loan Shares shall be subject to an escrow contained in a voluntary restriction agreement to be entered with the Company by Mr Rennie prior to the Company issuing any Loan Shares, where the escrow period for a particular tranche is equivalent to the period between the date the Loan Shares are issued and ending on the date of the repayment of the Loan Amount.

Mr Rennie will also give a Power of Attorney in favour of the Company for limited circumstances where the Company may need to act as attorney for Mr Rennie, as described in the Loan Plan documents.


Corporations Act

- **Section 200B of the Corporations Act**

The Plan allows the Board, in its discretion and subject to the Listing Rules, where shareholders pass Resolution 5, may accelerate vesting of share entitlements on a retirement - which could constitute a benefit otherwise prohibited under section 200B.

In order to give the Board flexibility to exercise its discretions under the Plan, to the extent that an acceleration of vesting could be regarded as providing a person a benefit in connection with that person's retirement from an office or position of employment (**Employment Retirement Benefit**), shareholder approval for the purposes of sections 200B and 200E of the Corporations Act 2001 is now being sought.

For a section 200B benefit to be allowed, section 200E requires that this Notice of Meeting provide shareholders with either the value of the proposed benefits or, where the value of the proposed benefits cannot currently be ascertained, the manner in which the value of the proposed benefits is calculated, and the matters, events and circumstances that will, or are likely to, affect the calculation of the value.



The Board has not determined that it will exercise discretion to grant any Employment Retirement Benefits. In the circumstances of a possible Employment Retirement Benefit, the value of the benefits that the Board may give under the Plan cannot be determined in advance, as many of the factors that will or are likely to affect that value will not be known until the time the benefit is decided to be awarded (if at all). Specifically, the value of an Employment Retirement Benefits will depend on a number of factors, including the Company's share price at the time.

- **Section 259B(2) of the Corporations Act**

Section 259B(2) permits a Company to take security over its own shares issued pursuant to an employee share scheme under certain conditions, including where prior shareholder approval of the employee share scheme has been obtained.

Accordingly, the Company is seeking shareholder approval under Resolution 5 in respect of the operation of section 259B(2) of the Corporations Act, for circumstances if and where the Company elects to provide an employee assistance in the acquisition of shares in itself, such as providing a loan for the payment of the purchase price of a Share to be issued under the Plan. Section 260A of the Corporations Act allows only limited circumstances under which a company may provide financial assistance for the acquisition of shares in itself, namely if:

- (a) the giving of the assistance does not materially prejudice (i) the interests of the company or its shareholders, or (ii) the company's ability to pay its creditors, or
- (b) the assistance is approved by Shareholders under section 260B; or
- (c) the assistance is exempt under section 260C (relating to employee share schemes).

The Board is of the view that (a) above is applicable, and at the relevant times will be applicable, to any loans that may be granted for the acquisition of Loan Shares under the Plan, and therefore will not be seeking shareholder approval with respect to under Section 260A of the Corporations Act.

Application of ASX Listing Rules

ASX Listing Rule 10.14 effectively provides that an entity must not permit a director of the Company (or their associate) to acquire securities under an employee incentive scheme (such as the Employee Share Plan) without the prior approval of holders of ordinary securities.

In the event that shareholder approval to this Resolution 5 is obtained under ASX Listing Rule 10.14, further shareholder approval to Resolution 5 is not required under ASX Listing Rule 7.1 (see Listing Rule 7.2, Exception 14).

ASX Listing Rule 10.15 Requirements

ASX Listing Rule 10.15 requires a notice of meeting seeking approval under Listing Rule 10.14 to disclose the following information:

- (a) the maximum number of securities to be issued to Mr Rennie pursuant to Resolution 5 is 210,000 PR Loan Shares;
- (b) the PR Loan Shares will be issued at \$0.629 per Loan Share;

- (c) Mr Rennie is the only person referred to in ASX Listing Rule 10.14 who has previously received securities under the same Employee Share Plan since the last approval of the Plan, namely 140,000 Loan Plan Shares issued at a price of \$0.3312 per Share, as approved by Shareholders at the 2016 Annual General Meeting;
- (d) the names of all persons referred to in ASX Listing Rule 10.14 entitled to participate in the employee incentive scheme are:
 - (i) Graeme Kaufman;
 - (ii) Paul Rennie;
 - (iii) Christopher Fullerton; and
 - (iv) John Gaffney;
- (e) the key terms of the Loan Shares are as set out in Schedule 1. The Loan Amount owed in respect of the PR Loan Shares will be \$132,090 upon the issue of the PR Loan Shares;
- (f) the Company proposes to issue the Loan Shares pursuant to Resolution 5 as soon as reasonably practicable after Resolution 5 is approved by Shareholders, but in any case by no later than 12 months after the date of passage of Resolution 5;
- (g) no funds will be received by the Company upon the issue of the PR Loan Shares as Mr Rennie will receive a Loan from the Company for the amount of the issue price of the Loan Shares. Such Loan will be repayable in accordance with the Loan Agreement.

Recommendation

The Directors (other than Mr Rennie) recommend that Shareholders vote in favour of Resolution 5. Due to the interest he has in the outcome of Resolution 5 Mr Rennie makes no recommendation to Shareholders in relation to Resolution 5.

Voting Exclusion statement

Voting exclusion:

The Company will disregard any votes cast on the proposed Resolution 5 by:

- (a) a Director entitled to participate in the Employee Share Scheme; or*
- (b) by any associate of that Director.*

However, the Company need not disregard a vote on Resolution 5 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or*
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

7. Further information

The Directors are not aware of any other information which is relevant to the consideration by members of the proposed resolutions set out in the notice of general meeting.

The Directors recommend members read these explanatory notes in full and, if desired, seek advice from their own independent financial or legal adviser as to the effect of the proposed resolutions before making any decision in relation to the proposed resolutions.

Annexure A – Glossary

Definitions

The following definitions are used in the Notice of Meeting and the Explanatory Memorandum:

Annual General Meeting / AGM means the annual general meeting of the Company to be held at 11.00am on 10 November 2017 pursuant to the Notice of Meeting.

ASX means ASX Limited ACN 008 624 691.

ASX Listing Rules or Listing Rules means the Listing Rules of the ASX as amended from time to time.

Board means the board of Directors of the Company.

Company means Paradigm Biopharmaceuticals Limited ACN 169 346 963.

Corporations Act or Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum attached to this Notice.

Key Management Personnel or KMP means the key personnel as disclosed in the Remuneration Report.

Loan has the meaning as provided in Schedule 1 to this Explanatory Memorandum.

Loan Shares means the Loan Shares as defined in Schedule 1 to this Explanatory Memorandum.

Meeting means the annual general meeting subject to this Notice.

Notice of Meeting or Notice means this notice of Annual General Meeting.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report of the Company for the year ended 30 June 2017 as set out in the Company's Annual Report for the year ended 30 June 2017.

Resolution means the resolutions referred to in the Notice of Meeting.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Schedule 1- Employee Share Plan Terms

Details of the Company's employee share plan (**Employee Share Plan**) was disclosed in the Company's IPO prospectus dated 12 June 2015. The Employee Share Plan empowers the Board to exercise its discretion to issue fully paid ordinary shares in the Company (**Loan Shares**) to employees who qualify to participate in the Employee Share Plan, upon the basis that the Company advances (**Loan**) the Participant the funds to purchase the Loan Shares pursuant to the terms of a secured limited recourse loan agreement between the Participant and the Company (**Loan Agreement**) and that the Participant enters a Restriction Agreement with the Company.

The key terms and conditions of the Employee Share Plan are set out below (**Loan Terms**):

- (i) the Loan may only be applied towards the subscription price for the Loan Shares;
- (ii) the Loan will be interest free, provided that if the Loan is not repaid by the repayment date set by the Board, the Loan will incur interest at the default interest rate set from time to time under Victorian legislation after that date (which will accrue on a daily basis and compound annually on the then outstanding Loan balance);
- (iii) by signing and returning a limited recourse Loan application, the participant of the Employee Share Plan (each a **Participant**) acknowledges and agrees that the Loan Shares will not be transferred, encumbered, otherwise disposed of, or have a security interest granted over it, by or on behalf of the Participant until the Loan is repaid in full to the Company;
- (iv) the Company is entitled, at the Company's discretion, to take security over the Loan Shares as security for repayment of the Loan;
- (v) the Participant is required to enter a restriction agreement with the Company (**Restriction Agreement**) in accordance with the terms of the Employee Share Plan;
- (vi) the Loan becomes repayable on the earliest of:
 - (a) 5 years from the date on which the Loan is advanced to the Participant;
 - (b) one month after the date of the Participant's resignation or cessation of office/engagement/employment (as the case may be) other than if the Participant is removed from office, if the Company does not renew the Participant's employment agreement or engagement terms, or where the Company dismisses the Participant other than for cause; and
 - (c) (by the legal personal representative of the Participant) six months after the Participant ceases to be an employee of the Company due to their death;

the earliest date being the **Repayment Date**.

- (vii) notwithstanding paragraph (vi) above, the Participant may repay all or part of the Loan at any time before the Repayment Date; and

(viii) the Loan will be limited recourse such that on the Repayment Date the repayment obligation under the Loan will be limited to the lesser of

- (a) the outstanding balance of the Loan, and
- (b) the market value of the Loan Shares on that date.

In addition, where the Participant has elected for the Loan Shares to be provided to the Company in full satisfaction of the Loan, the Company must accept the Loan Shares as full settlement of the repayment obligation under the Loan.

Rights attaching to the Loan Shares

The Loan Shares will rank equally with all other fully paid ordinary shares on issue in the capital of the Company. Holders of Loan Shares will be entitled to exercise all voting rights attaching to those Shares in accordance with the Company's constitution. In addition, holders of Loan Shares will be entitled to participate in dividends declared and paid by the Company in accordance with the Company's constitution.

Sale of the Loan Shares

The Loan Shares may only be sold by a Participant (who has been granted a limited recourse loan) where the Loan has been repaid in full (otherwise any dealing by the Participant in the Loan Shares is prohibited without the prior written consent of the Company).

If the Loan becomes due and payable under the Loan Agreement and the Participant has not repaid the amount of the Loan in full within 21 days of the due date, then the Participant will forfeit their interest in the Loan Shares as full consideration for the repayment of the outstanding Loan balance, and the Company may either (at its election) take such action in the Participant's name or direct that the Participant take such action in relation to the Loan Shares as the Company considers appropriate, which may include but is not limited to the Company undertaking a buy-back of the Loan Shares or selling the Loan Shares.

Copies of the Employee Share Plan are available for inspection at the Company's registered office and will be provided without charge to shareholders on request.