

Paradigm Biopharmaceuticals Limited

ACN 169 346 963
(ASX code: PAR)

ACCELERATED NON-RENOUNCEABLE RIGHTS ISSUE OFFER

A Fully Underwritten Non-renounceable pro-rata offer to Eligible Shareholders on the basis of 1 New Share for every 8 Shares held as at the Record Date at an Issue Price of \$1.50 (**Retail Entitlement Offer**)

IMPORTANT NOTICE

This Offer Document is not a prospectus or other form of disclosure document under the Corporations Act. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding the Retail Entitlement Offer or about the rights attaching to the New Shares offered by this Offer Document.

This Offer Document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

Please read the instructions in this Offer Document and on the accompanying Entitlement & Acceptance Form regarding the acceptance of your Entitlement.

This Offer Document is not for release, publication or distribution in the United States.

IMPORTANT NOTES

1. Offer document

This Offer Document has been prepared by **Paradigm Biopharmaceuticals Limited** ACN 169 346 963 (**Paradigm** or the **Company**). This Offer Document is not a prospectus or other form of disclosure document under the Corporations Act and has not been lodged with ASIC. The Retail Entitlement Offer contained in this Offer Document is being made without disclosure in accordance with section 708AA of the *Corporations Act 2001* as modified by *ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84*.

As a result, it is important for Eligible Shareholders to read and understand the information on Paradigm and the Retail Entitlement Offer made publicly available, before accepting all or part of their Entitlement. In particular, please refer to the information in this Offer Document, Paradigm's annual reports and other announcements made available at <http://Paradigm.com/announcements/> or www.asx.com.au.

2. This is an important document

The information contained in this Offer Document does not constitute investment advice and has been prepared without taking into account each Eligible Shareholder's investment objectives or financial circumstances. You should seek advice from your professional adviser before deciding to invest. Investing in the Company involves risks.

The Offer Document does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding the Retail Entitlement Offer or about the rights attaching to the New Shares offered by this Offer Document.

3. Disclaimer

No person is authorised to give any information or to make any representation in connection with the Retail Entitlement Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Retail Entitlement Offer.

To the extent permitted by law, neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Offer Document, except as required by law and then only to the extent so required.

4. Future performance and forward looking statements

Neither the Company nor any other person warrants, represents or guarantees (expressly or by implication) the future performance of the New Shares or any particular rate of return on any investment made pursuant to Retail Entitlement Offer, or any particular tax treatment.

This Offer Document contains certain "forward looking statements". Forward-looking statements include those words such as "believe", "anticipate", "estimate", "expect", "will", "plan", "should", "may", "intend", "likely", "forecast" and other similar expressions but not limited to statements regarding the outcome and effects of the Retail Entitlement Offer. Forward-looking statements, opinions and estimates provided in the information in this Offer Document are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements in this Offer Document are current and speak only as at the date of this Offer Document.

No representation or warranty (express or implied) is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in this Offer Document.

While due care and attention have been used in the preparation of forward-looking statements, you are cautioned not to place undue reliance on such statements. To the maximum extent permitted by law, the Company disclaims any obligation or undertaking to release any updates or revisions to such information to reflect any change in expectations or assumptions.

5. Risks

An investment in the Company is subject to investment and other known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward-looking statements in this Offer Document.

Refer to the 'Risk' section included in section 5 of this Offer Document for a summary of general and specific risk factors that may affect the Company.

6. Past performance

Investors should note that the Company's past performance including Share price performance provides no guarantee or guidance as to future Share price performance. Any past performance information given in this Offer Document is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance including the Company's future financial position or Share price performance.

7. Eligibility

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement & Acceptance Form sent with this Offer Document (or payment via Bpay®, as described herein). The Entitlement & Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Retail Entitlement Offer.

8. Overseas Shareholders

This Retail Entitlement Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or to issue this Offer Document. No action has been taken to permit a public offering of the New Shares under the Retail Entitlement Offer in any jurisdiction outside of Australia and New Zealand.

It is not practicable for the Company to comply with the securities laws of any other overseas jurisdictions, other than Australia and New Zealand, having regard to the number of overseas Shareholders, the number and value of the New Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

It is the responsibility of any Applicant to ensure compliance with any laws of a country relevant to their application. Return of a duly completed Entitlement & Acceptance Form (or payment by Bpay®) will be taken by the Company as a representation that there has been no breach of such laws, that the Applicant is an Eligible Shareholder and that the Applicant is physically present in Australia or New Zealand. Shareholders outside Australia or New Zealand (**Ineligible Foreign Shareholders**) should refer to Section 1.16 for details of how their Entitlement will be dealt with.

9. Currency

All references to A\$, \$A, dollar or \$ in this Offer Document are to Australian currency.

10. Definitions and references to time

Capitalised words and expressions in this Offer Document have the meaning given to them in Section 6. Unless otherwise stated, any reference to time in this Offer Document is a reference to Melbourne, Australia time.

11. Not for Distribution outside Australia and New Zealand

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The New Shares have not been, nor will be, registered under the U.S. Securities Act of 1933 (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States.

The Entitlements may not be taken up by, and the New Shares may not be offered or sold to, any person in the United States or any person that is, or is acting for the account or benefit of, any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

This document may not be released or distributed in the United States. The distribution of this document in other jurisdictions outside Australia and New Zealand may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

12. Date of this Offer Document

This Offer Document is dated 17 April 2019.

KEY OFFER DETAILS

Key details of the Entitlement Offer	
Entitlement Offer to Eligible Retail Shareholders	1 New Share for every 8 Shares held at the Record Date
Issue Price per New Share	\$1.50 payable in full on Application
Maximum number of Shares in aggregate under the Institutional Entitlement Offer and the Retail Entitlement Offer (which excludes any Shares expected to be issued under the Placement)	17,537,431 Shares
Maximum aggregate proceeds under completion of both the Institutional Entitlement Offer and the Retail Entitlement Offer (excluding costs associated with the Entitlement Offer)	\$26,306,146 (approximately)
Maximum number of Shares on issue following completion of both the Institutional Entitlement Offer and the Retail Entitlement Offer (which excludes the number of Shares expected to be issued under the Placement - refer to Section 2)	157,836,875 Shares

IMPORTANT DATES

Event	Date
Existing Trading Halt Extended; announce accelerated non-renounceable rights offer; lodge Appendix 3B; lodge s708AA(2)(f) cleansing notice.	15 April 2019 pre ASX Market opening
Conduct Institutional Entitlement Offer.	Before commencement of trading on 15 April 2019 until before opening on 17 April 2019
Conclude Institutional Entitlement Offer and announce results of Institutional Entitlement Offer and release copy of offer documentation.	Before opening of trade on 17 April 2019
Trading Halt lifted. Trading resumes on an ex-entitlement basis.	At the commencement of trading following the trading halt - 17 April 2019
Record Date to determine those entitled to participate in the Retail Entitlement Offer.	7.00pm on 17 April 2019
Lodge Retail Entitlement Offer Cleansing Notice.	Before commencement of trade - 24 April 2019
Opening Date of Retail Entitlement Offer.	24 April 2019
Despatch of the Offer Document and Entitlement & Acceptance Form to Eligible Retail Shareholders and	

announcement that this despatch has occurred.	
Settlement of Placement subscriptions.	24 April 2019
Advise ASX of the issue date and number of securities for which quotation is sought and statement setting out the issued capital following the issue under the Institutional Entitlement Offer. Updated Appendix 3B (if needed).	No later than noon on 24 April 2019
Quotation of securities under Institutional Entitlement Offer. Issue and quotation of the Placement Shares. Lodge Appendix 3B and Cleansing notice for Placement Shares with ASX.	26 April 2019
Closing Date for acceptances under the Retail Entitlement Offer.	6 May 2019
Announce results of The Retail Entitlement Offer.	9 May 2019
Announce to ASX issue date and number of securities for which quotation is sought for the Retail Entitlement Offer and statement setting out the issued capital following the issue under the Retail Entitlement Offer. Updated Appendix 3B (if needed).	No later than noon on 13 May 2019
Quotation of the New Shares under Retail Entitlement Offer.	14 May 2019
Despatch of holding statements for New Shares under Retail Entitlement Offer.	15 May 2019

The above dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the Closing Date or to withdraw the Offer at any time without prior notice, in which case all Application Monies will be refunded (without interest) as soon as practicable. Any extension of the Closing Date will have a consequential effect on the issue date of New Shares. All dates and times are references to Melbourne, Australian Eastern Standard time.

LETTER FROM THE CHAIRMAN

Dear Shareholder

On behalf of the Board of Paradigm Biopharmaceuticals Limited ACN 169 346 963 (**Paradigm** or the **Company**), I invite you to participate in the Company's fully underwritten non-renounceable accelerated pro-rata entitlement offer of 1 New Share for every 8 Shares held at the Record Date of 7.00pm (AEST) on 17 April 2019, at an Issue Price of \$1.50 per New Share (**Retail Entitlement Offer**).

On 15 April 2019, the Company announced its intention to conduct an underwritten entitlement or rights issue offer, to raise in aggregate approximately \$26.31 million. The underwritten entitlement offer will consist of an Institutional Entitlement Offer (which was completed before trading in our shares recommenced on 17 April 2019) and a Retail Entitlement Offer. Accompanying this letter is the Offer Document which relates to the Retail Entitlement Offer.

The Retail Entitlement Offer is summarised as follows:

- Australian and New Zealand residents holding Paradigm Shares may subscribe under the Retail Entitlement Offer for 1 new Share for every 8 shares held as at the Record Date of 7.00pm (AEST) on 17 April 2019.
- New Shares are priced at \$1.50 per new Share, being the same price at which the institutional shares were subscribed under the Institutional Entitlement Offer.

The Retail Entitlement Offer is to be made pursuant to s708AA of the Corporations Act and the Offer Document has been lodged with the ASX. A copy of that document can be accessed on the ASX website or Paradigm's website. For those eligible Shareholders, the Offer document is anticipated to be despatched (with personalised application forms) on or around 24 April 2019.

As announced on the ASX on 15 April 2019, your Company also intends to complete a placement of approximately 34,370,100 Shares (**Placement Shares**) to raise approximately \$51.556 million also at \$1.50 per Share (**Placement**). Subscription for the Placement Shares will only be from sophisticated investors. Shares issued pursuant to the Placement will not count towards a subscribers Shareholding for the purposes of determining their Entitlement to subscribe for Shares pursuant to this Retail Entitlement Offer.

The funds from the Entitlement Offer are important. It is anticipated that they will be applied, in conjunction with the Placement funds, to fund the Company's Osteoarthritis and MPS (rare disease) programs through to 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 Underwriter and lead manager to the Entitlement Offer is Bell Potter Securities Limited.

As a Board, we appreciate the support of our existing Shareholders and we have been mindful of providing existing Shareholders this opportunity to maintain their investment in the Company.

We look forward to your participation in the Retail Entitlement Offer.

Yours sincerely,

Graeme Kaufman
Non-Executive Chairman
Paradigm Biopharmaceuticals Limited

SUMMARY

		Where to find more information
What is the Offer?	<p>Accelerated non-renounceable rights issue offer of Shares (Offer).</p> <p>The Offer is comprised of two parts:</p> <ul style="list-style-type: none"> the Institutional Entitlement Offer - Eligible Institutional Shareholders were invited to take up their Institutional Entitlements. The Institutional Entitlement Offer closed on 17 April 2019 before the commencement of trade on that day; and the Retail Entitlement Offer - Eligible Retail Shareholders are now being invited to take up all or part of their Entitlements. 	Section 1.1
What are the terms of the Retail Entitlement Offer?	1 New Share for every 8 Shares held on the Record Date at an issue price of \$1.50 per Share.	Section 1.1
Can I sell or transfer my Entitlements?	No, the Retail Entitlement Offer is non-renounceable and, accordingly, you cannot offer to sell or transfer any of your Entitlement on ASX or via an off-market transfer.	Section 1.5
Can I purchase additional Shares at the same price?	No, you are not entitled to subscribe for any shares in addition to your entitlement.	Sections 1.11 and 3.1
Is the Retail Entitlement Offer underwritten?	Yes, the Retail Entitlement Offer is fully underwritten by Bell Potter Securities Limited.	Sections 1.11 and 4.3
How do the New Shares rank in comparison to existing Shares	All New Shares issued under the Rights Issue will rank equally in all respects with existing Shares from the date of their issue.	Section 1.18
Who can invest?	Eligible Shareholders of the Company as at 7.00pm on the Record Date of 17 April 2019.	Section 1.6
What are my choices?	<p>As an eligible Shareholder you may:</p> <ul style="list-style-type: none"> take up all of your Entitlement under the Retail Entitlement Offer; or exercise only a portion of your Entitlement and allow the balance to lapse; or do nothing, in which case all of your Entitlements will lapse and you will receive no value for those lapsed Entitlements. 	Section 3.1

1. DETAILS OF THE OFFER

1.1 The Retail Entitlement Offer

The Company is offering Eligible Shareholders the opportunity to subscribe for 1 New Share for every 8 Shares held at 7:00pm (AEST) on 17 April 2019 (**Record Date**) at an Issue Price of \$1.50 per New Share (**Retail Entitlement Offer**).

Your Entitlement under the Retail Entitlement Offer is shown on the accompanying Entitlement & Acceptance Form. Details on how to accept the Retail Entitlement Offer are set out in Section 3.

The Company has also announced a placement of approximately 34,370,100 Shares (**Placement Shares**) to raise approximately \$51.556 million (**Placement Amount**) at the same price as this Retail Entitlement Offer, namely \$1.50 per Share (**Placement**). Subscription for the Placement Shares will only be from investors for whom the Company is exempt from making disclosure pursuant to Chapter 6D of the Corporations Act (**Exempt Investors**).

Shares issued pursuant to the Placement will not count towards a subscribers Shareholding for the purposes of determining their Entitlement to subscribe for Shares pursuant to this Retail Entitlement Offer.

1.2 Size of the Retail Entitlement Offer

As at the date of this Booklet, the Company has on issue:

- (a) 140,299,444 Shares (which excludes Shares to be issued under the Entitlement Offer and the Placement); and
- (b) 6,192,500 options (**Options**) (which carry no entitlement to participate in the Retail Entitlement Offer without the Options first being exercised).

On the basis that no Options are exercised prior to the Record Date, the aggregate amount to be raised under the combined Institutional Entitlement Offer and the Retail Entitlements Offer is approximately \$26.31 million.

1.3 Use of Funds

As the Entitlements Offer is fully underwritten (and assuming the Underwriting Agreement is not terminated for any reason), whilst there is no guarantee as to what the level of subscriptions will be under the Retail Entitlement Offer, the aggregate amount which may be raised under (i) the Placement; (ii) the Institutional Entitlement Offer and (iii) Retail Entitlement Offer will result in an increase in cash in hand of the Company of approximately \$77.9 million (before the payment of costs associated with the capital raising and fees to the Underwriter).

It is anticipated that they will be applied to fund the Company's Osteoarthritis and MPS (rare disease) programs through to end of their pivotal phase 3 studies, new drug applications, working capital, costs of offer, further preclinical studies and possibly further intellectual property acquisitions.

Assuming that the Underwriting Agreement is not terminated, the maximum amount under (i) the Placement; (ii) the Institutional Entitlement Offer and (iii) the Retail Entitlement Offer are intended to be allocated as follows:

Description	Total (maximum)
Complete Phase 2/3 MPS (Rare Disease) Pivotal Clinical Trial	\$7.0m
Complete Phase 3 Osteoarthritis Pivotal Clinical Trial	\$30.0m
Employ US Based staff x 2	\$3.0m
Working capital, further preclinical studies and IP acquisitions	\$33.4m
Costs (inclusive of the 5% (plus GST) commission on all funds raised under the Offer payable to the Underwriter)*	\$4.5m
Maximum funds raised	\$77.9m

1.4 Opening and Closing Date

The Retail Entitlement Offer will open for receipt of acceptances on 24 April 2019. The Closing Date for acceptance of your Entitlement is 5.00pm (AEST) on 6 May 2019.

The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the last date for receipt of the Entitlement & Acceptance Form (or payment by Bpay®), or to delay or withdraw the Retail Entitlement Offer at any time without prior notice. Where the Retail Entitlement Offer is withdrawn, all Application Monies will be refunded (without interest) as soon as practicable by cheque to your registered address as noted on the Company's share register.

Any extension of the Closing Date will have a consequential effect on the issue date of New Shares.

1.5 Entitlements under the Retail Entitlement Offer

The Retail Entitlement Offer is non-renounceable and therefore Eligible Shareholders cannot offer to sell or transfer any of their Entitlement on ASX or via an off-market transfer (or any other exchange or privately transferred).

Shareholders who do not take up their Entitlements in full will have their percentage interest in the Company diluted as compared to that percentage as at the date the Retail Entitlement Offer is made.

As described in Section 1.11, any Shares not taken up by an Eligible Shareholder by the Closing Date will form part of the Shares to be subscribed by the Underwriter.

1.6 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Retail Entitlement Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement & Acceptance form accompanying this Offer Document.

1.7 Fractional Entitlements

Fractional Entitlements of the Retail Entitlement Offer will be rounded up to the nearest whole number of New Shares.

1.8 Brokerage and Stamp Duty Costs

No brokerage or stamp duty is payable by Eligible Shareholders on the issue of Shares under the Retail Entitlement Offer.

1.9 No rights trading

The Retail Entitlement Offer is non-renounceable. Accordingly, the Entitlements under the Retail Entitlement Offer will not be tradable on the ASX or otherwise capable of being sold or transferred. Shareholders who do not take up their Entitlement in full will not receive any value in respect of that part of the Entitlement they do not take up.

1.10 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been received.

1.11 Underwriting Agreement

Eligible Shareholders who take up their Entitlements in full are not able to apply for any additional Shares in excess of their Entitlements.

On 15 April 2019 the Company entered an underwriting agreement with Bell Potter Securities Limited to fully underwrite the Retail Entitlements Offer and the Institutional Entitlements Offer (**Underwriting Agreement**). Any shortfall in subscriptions by Eligible Shareholders in their full entitlements will be subscribed for by the Underwriter under the Underwriting Agreement. A summary of the terms of the Underwriting Agreement appears at section 4.3 below.

1.12 Issue and despatch

The issue of New Shares offered by this Offer Document is expected to occur on 13 May 2019.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. Applicants who sell New Shares without making such determination do so at their own risk.

The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares before the New Shares are listed on the official list of ASX or before they receive their holdings statements, whether on the basis of confirmation of the allocation provided by the Company, the Share Registry or otherwise.

1.13 ASX listing

The Company has made an application for official quotation by ASX of the New Shares offered under this Offer Document. If that permission is not granted by ASX, the Company will not issue any New Shares and all Application Monies received will be refunded (without interest) in full to the Applicants.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares. Neither ASX nor any of its officers accepts takes any responsibility for the contents of this Offer Document.

It is expected that normal trading on ASX will commence in relation to New Shares on 14 May 2019.

1.14 CHESS

The Company will apply to ASX to participate in CHESS for those Shareholders who have, or wish to have, a sponsoring stockbroker. Shareholders who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, Shareholders will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise Shareholders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to Shareholders if there have been any changes in their interest in the Company during the preceding month.

1.15 Ineligible Foreign Shareholders

In accordance with ASX Listing Rule 7.7.1 and Section 9A of the Act, the Company has decided that it is unreasonable to make the Retail Entitlement Offer to any Shareholder with a registered address outside Australia or New Zealand as at the Record Date (**Ineligible Foreign Shareholder**), having regard to:

- (a) the number of Shareholders with addresses in such other countries as a proportion of total Shareholders in the Company;
- (b) the number and value of the Shares those Shareholders would be offered under the Retail Entitlement Offer; and
- (c) the cost to the Company of complying with applicable legal and regulatory requirements in such other countries.

To the extent that there are any Ineligible Foreign Shareholders registered at the Record Date, the Company will send details of the Retail Entitlement Offer to each Ineligible Foreign Shareholder and advise each Ineligible Shareholder that they will not be offered New Shares under the Retail Entitlement Offer.

1.16 Overseas shareholders

No action has been taken by the Company to register the New Shares or otherwise permit a retail offering of the New Shares in any jurisdiction other than Australia or New Zealand. Eligible Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Retail Entitlement Offer does not breach regulations in the relevant overseas jurisdiction.

This Offer Document does not, and is not intended to, constitute an offer or invitation in the United States, to any person acting for the account or benefit of a person in the United States, or in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The New Shares have not been and will not be registered under the US Securities Act or the securities laws of any state or jurisdiction in the United States and may only be offered, sold or resold in, or to persons in, the United States in accordance with an available exemption from registration.

Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how to proceed. The Retail Entitlement Offer is being made to all Eligible Shareholders, but not Shareholders who have received an offer to participate in the Institutional Entitlement Offer (whether they accepted their Institutional Entitlement or not). The Company is not required to determine whether or not any Eligible Shareholder is acting as a nominee or the identity or residence of any beneficial owners of Shares.

Where any registered holder that qualifies as an Eligible Shareholder is acting as a nominee for a foreign person, that registered holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Retail Entitlement Offer is compatible with applicable foreign laws.

Any person in the United States or any person that is, or is acting for the account or benefit of a person in the United States with a holding through a nominee may not participate in the Rights Issue and the nominee must not take up any Entitlement or send any materials into the United States or to any person that is, or is acting for the account or benefit of, a person in the United States.

It is the responsibility of a Shareholder to ensure compliance with any laws of a country relevant to their application. Return of a duly completed Entitlement and Acceptance Form (or making payment via Bpay®) will be taken by the Company as a representation that there has been no breach of such laws and that the Applicant is an Eligible Shareholder.

1.17 Foreign Jurisdictions

This Booklet has been prepared to comply with the requirements of the securities laws of Australia and New Zealand.

This Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Retail Entitlement Offer or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand. Return of the personalised Entitlement & Acceptance Form will be taken by Paradigm to constitute a representation by you that there has been no breach of any such laws. Eligible Retail Shareholders who are nominees or custodians should see Section 1.19.

The distribution of this document (including in electronic format) outside Australia and New Zealand may be restricted by law. If you come into possession of this Booklet, you should observe such restrictions. In particular, this document or any copy of it must not be distributed in the United States. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

(a) New Zealand

The Retail Entitlement Offer contained in this Offer Document is not being made to the public within New Zealand other than to Eligible Shareholders with a registered address in New Zealand. This offer is made in reliance on the provisions of the *Financial Markets Conduct Act 2013 (New Zealand)* (**FMC Act**), the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

This Offer Document has been prepared in accordance with Australian law and has not been registered, filed with, or approved by the New Zealand regulatory authority under the FMC Act. This Offer Document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

(b) United States

This Booklet does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares have been, or will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be issued to, or taken up or exercised by, and the New Shares may not be offered or sold to, persons in the United States or persons who are acting for the account or benefit of a person in the United States. The New Shares will only be offered and sold outside the United States in 'offshore transactions', as defined in and in reliance on Regulation S under the U.S. Securities Act.

1.18 Rights and liability attaching to New Shares

The New Shares issued under the Retail Entitlement Offer will be on a fully paid basis and will rank equally in all respects with existing Shares. Full details of the rights and liabilities attaching to Shares are set out in the Company's constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. You may also contact the Company's Share registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) to request a copy of the Company's constitution.

1.19 Nominees

The Retail Entitlement Offer is being made to all Eligible Shareholders. Nominees with registered addresses in the eligible jurisdictions, irrespective of whether they participate under the Institutional Entitlement Offer, may also be able to participate in the Retail Entitlement Offer in respect of some or all of the beneficiaries on whose behalf they hold Paradigm' Shares, provided that the applicable beneficiary would satisfy the criteria for an Eligible Shareholder.

Nominees and custodians which hold Shares as nominees or custodians will have received, or will shortly receive, a letter from Paradigm. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to:

- beneficiaries on whose behalf they hold Paradigm's Shares who would not satisfy the criteria for an Eligible Shareholder;
- Eligible Institutional Shareholders who received an offer to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not); or
- Ineligible Foreign Shareholders who were ineligible to participate in the Institutional Entitlement Offer.

Due to legal restrictions, nominees and custodians may not send copies of this Booklet or accept the Retail Entitlement Offer on behalf of any person in the United States or other jurisdiction outside Australia or New Zealand, except to beneficial shareholders who are institutional or professional investors in certain foreign countries to the extent contemplated in the Investor Presentation under the section titled "International Offer Restrictions" or as the Company may otherwise permit in compliance with applicable law.

Paradigm is not required to determine whether or not any registered Shareholder is acting as a nominee or the identity or residence of any beneficial owners of Shares.

2. EFFECT OF THE OFFER

2.1 Effect of the Retail Entitlement Offer on the capital structure of the Company

The total number of Shares to be issued under (i) the Placement; (ii) the Institutional Entitlement Offer and (iii) the Retail Entitlement Offer will be approximately 51.901 million (the exact number depends on the rounding up of individual holdings).

The table below sets out, for illustrative purposes only, the existing capital structure (before the capital raising) together with the impact of the issue of the Shares under the Entitlement Offer and the Placement. It assumes that no Options are exercised prior to the Record Date and that all Shares are issued under these capital raisings.

Shares	Number	Percentage
Existing Shares as at date of this Booklet	140,299,444	73.0%
Shares to be issued under the Placement	34,370,099	17.9%
Maximum number of Shares issued pursuant to the (i) the Institutional Offer and (ii) Retail Entitlement Offer	17,537,431	9.1%
Total issued Shares following completion of the total capital raising	192,206,974	100%

The combined effect of the capital raising will be to increase the number of Shares on issue in the Company and increase the cash held by the Company by up to approximately \$77.9 million (before taking into account the expenses of the Retail Entitlement Offer, including the 5% (plus GST) commission payable on all funds raised under the Entitlement Offer and Placement to the Underwriter). Expenses of the capital raisings (in aggregate) are expected to be approximately \$4.5 million.

2.2 Potential effect on control of the Company

Eligible Shareholders who take up their Entitlements in full should not have their interest in the Company diluted by the Retail Entitlement Offer.

The potential effect the Retail Entitlement Offer will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand (and the subscriptions for any shortfall under the Underwriting Agreement).

The potential effect of the Retail Entitlement Offer on the control of the Company is as follows:

- (a) If all Eligible Shareholders take up their Entitlements under the Retail Entitlement Offer, then the Retail Entitlement Offer will have no significant effect on the control of the Company.
- (b) If some Eligible Shareholders do not take up all of their Entitlements under the Retail Entitlement Offer, then the interests of those Eligible Shareholders will be diluted.
- (c) The proportional interests of Ineligible Foreign Shareholders will be diluted because those Ineligible Foreign Shareholders are not entitled to participate in the Retail Entitlement Offer.
- (d) If no Eligible Shareholders take up their Entitlements under the Retail Entitlement Offer then the Retail Entitlement Offer's effect on the control of the Company will

depend on the subscriptions made under the Underwriting Agreement, which may potentially result in a new investor having a substantial interest in the Company.

2.3 Pro-Forma Balance Sheet

The following pro-forma consolidated balance sheet illustrates the effect of the Retail Entitlement Offer on the Company. It has been prepared based on the yearly financial statements as at 31 December 2018, adjusted to include the cash proceeds anticipated to be received from the Institutional and Retail Entitlement Offers. It is not intended to represent the actual financial position of the Company upon completion of the Retail Entitlement Offer. It is provided as an illustration of the effect of the Retail and Institutional Entitlement Offers. The actual impact on the Company is dependent on a range of factors, many of which are outside the control of the Company and unknown at this stage.

The unaudited pro-forma balance sheet as at 31 December 2018 below has been prepared on the basis of the accounting policies normally adopted by the Company and reflects the changes to its financial position as noted below. It has been prepared on the basis that the New Shares pursuant to the Retail Entitlement Offer are issued.

The pro-forma balance sheet has been prepared to provide Eligible Shareholders with information on the pro-forma assets and liabilities of the Company. The pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	REVIEWED CONSOLIDATED ENTITY 31-DEC-18 \$	PLACEMENT PRO-FORMA ADJUSTMENTS MAXIMUM \$	RIGHTS ISSUE PRO-FORMA ADJUSTMENTS MAXIMUM \$	TOTAL PRO-FORMA ADJUSTMENTS MAXIMUM \$	UNREVIEWED PRO-FORMA POSITION MAXIMUM \$
ASSETS					
Current assets					
Cash and cash equivalents	9,933,509	48,618,392	24,759,308	73,377,700	83,311,209
Trade and other receivables	455,972	-	-	-	455,972
Prepaid expenses	204,846	-	-	-	204,846
Total current assets	10,594,327	48,618,392	24,759,308	73,377,700	83,972,027
Non-current assets					
Intangible assets	9,908,815	-	-	-	9,908,815
Plant and equipment	7,476	-	-	-	7,476
Total non-current assets	9,916,291	-	-	-	9,916,291
Total assets	20,510,618	48,618,392	24,759,308	73,377,700	93,888,318
LIABILITIES					
Current liabilities					
Trade and other payables	867,552	-	-	-	867,552
Employee benefits	283,909	-	-	-	283,909
Total current liabilities	1,151,461	-	-	-	1,151,461
Net assets	19,359,157	48,618,392	24,759,308	73,377,700	92,736,857
EQUITY					
Issued capital	36,426,900	48,618,392	24,759,308	73,377,700	109,804,600
Share options reserve	2,439,800	-	-	-	2,439,800
Accumulated losses	(19,507,543)	-	-	-	(19,507,543)
Total equity	19,359,157	48,618,392	24,759,308	73,377,700	92,736,857

Please note that the cash at bank balance as at 31 March 2019 was \$8,062,660. The cash at bank balance would be \$81,440,360 after the completion of the Offer excluding the expenses (including Underwriter's commission and costs) of the Offer and Placement.

3. ACTION REQUIRED BY SHAREHOLDERS

3.1 What Eligible Shareholders may do

The number of New Shares to which you are entitled (your **Entitlement**) is shown on the accompanying Entitlement & Acceptance Form. You cannot purchase any additional Shares under the Offer.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted (refer to Section 2.2 above).

As an Eligible Shareholder you may:

- (a) take up all or part of your Entitlement (refer to Section 3.2 below); or
- (b) do nothing, in which case all of your Entitlements will lapse (refer to Section 3.3 below).

As detailed in Section 1.15, Ineligible Foreign Shareholders cannot take any of the steps set out in Sections 3.1, 3.2, 3.3 and 3.4.

3.2 Applying for New Shares

You may take up all or part of your Entitlement by (i) making payment by Bpay® corresponding to the component (part or all) of your Entitlement you wish to accept or (ii) by completing the Entitlement & Acceptance Form and attaching payment by cheque, bank draft or money order to reach Computershare Investor Services Pty Limited (**Share Registry**) at the following address.

Computershare Investor Services Pty Limited.
GPO BOX 505 Melbourne Victoria 3001 Australia

by no later than 5:00pm (AEST) on the Closing Date (6 May 2019).

The Issue Price for each New Share accepted under your Entitlement is payable on application. You have the following payment options:

- (a) By attaching to your completed Entitlement & Acceptance Form a cheque, bank draft or money order in Australian currency for the amount of your application money to **“Paradigm Biopharmaceuticals Limited”** and crossed **“Not Negotiable”**.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares for which you have applied in your Entitlement & Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement & Acceptance Form). Alternatively, your Application will not be accepted.

- (b) If paying via Bpay®:
 - (i) Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through Bpay® by the date and time mentioned above;

- (ii) you must follow the instructions for Bpay® set out in the Entitlement & Acceptance Form;
- (iii) you do not need to return the Entitlement & Acceptance Form but are taken to make each of the statements and representations on that form and as referred to in this Offer Document; and
- (iv) if you subscribe for less than your Entitlement or do not pay for your full Entitlement, you are taken to have accepted that part of your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

3.3 Entitlements not taken up

If you do not wish to accept any of your Entitlement, you are not obliged to do anything. The number of Shares you currently hold and your rights attaching to those Shares (such as voting rights) will not be affected should you choose not to accept any part of your Entitlement. If you do not participate in the Retail Entitlement Offer your percentage holding in the Company will be reduced.

3.4 Entitlement & Acceptance Form is binding

A completed and lodged Entitlement & Acceptance Form (or payment by Bpay®) constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Document and, once lodged, cannot be withdrawn. If the Entitlement & Acceptance Form is not completed correctly, it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement & Acceptance Form is final.

3.5 Representations you will be taken to have made by accepting the Retail Entitlement Offer

By completing and returning your Entitlement & Acceptance Form or making a payment by BPAY®, you will be deemed to have:

- (a) fully read and understood this Offer Document and the Entitlement & Acceptance Form in their entirety;
- (b) agreed to be bound by the terms of the Retail Entitlement Offer, the provisions of this Offer Document and the Company's Constitution;
- (c) declared that you are over 18 years of age and have the legal capacity and power to perform all your rights and obligations under the Retail Entitlement Offer and your Entitlement & Acceptance Form;
- (d) authorised the Company to register you as the holder of the New Shares;
- (e) acknowledged that once the Company receives your Entitlement & Acceptance Form or any payment of Application Monies via BPAY®, you may not withdraw your application or funds provided except as allowed by law;
- (f) confirmed that you have a registered address in Australia or New Zealand as at the Record Date;
- (g) confirmed that you were the registered holder at the Record Date of the Shares indicated in the Entitlement & Acceptance Form as being held by you on the Record Date;

- (h) agreed to apply for and be issued up to the number of New Shares specified in the Entitlement & Acceptance Form, and for which you have submitted payment of any Application Monies via BPAY®, at the Issue Price per New Share;
- (i) authorised the Company, the Share Registry and their respective officers, employees or agents to carry out on your behalf all necessary actions for the New Shares to be issued to you;
- (j) understood and acknowledged that the information contained in this Offer Document and your Entitlement & Acceptance Form is not investment advice nor a recommendation that the New Shares are suitable for you given your investment objectives, financial situation or circumstances;
- (k) acknowledged that this Offer Document is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing continuous disclosure announcements to the ASX;
- (l) acknowledged that investment in the Company is subject to the risk factors outlined in Section 5 of this Offer Document;
- (m) acknowledged that the Company or its related bodies corporate, affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers do not guarantee the performance of the Company or the Share price, nor do they guarantee the repayment of capital;
- (n) authorised the Company to correct any errors in your Entitlement & Acceptance Form or any other document provided to you;
- (o) agreed to provide any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and your holding of Shares on the Record Date;
- (p) represented and warranted that you did not receive an invitation to participate in the Institutional Entitlement Offer either directly or through a nominee, are not an Ineligible Retail Shareholder and are otherwise eligible to participate in the Retail Entitlement Offer;
- (q) represented and warranted that:
 - (i) you are not in the United States and are not acting for the account or benefit of a person in the United States;
 - (ii) the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws; and
 - (iii) you have not and will not send any materials relating to the Retail Entitlement Offer to any person in the United States or a person acting for the account or benefit of a person in the United States.

3.6 Privacy Act

If you complete an application for New Shares (or make payment via Bpay®), you will be providing personal information to the Company (directly or by the Company's Share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate

communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's Share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for New Shares, the Company may not be able to accept or process your application.

3.7 Brokerage

No brokerage is payable by Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for an Entitlement.

3.8 Queries concerning your Entitlement

If you have any queries concerning your Entitlement please contact the Company's Share registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

4. ADDITIONAL INFORMATION REGARDING THE RETAIL ENTITLEMENT OFFER

4.1 Reliance on Offer Document

The Retail Entitlement Offer is made pursuant to section 708AA of the Corporations Act without the issue of a prospectus or disclosure document under Chapter 6D of the Corporations Act. These provisions of the Corporations Act allow rights issues and related issues to be made by providing certain confirmations to the market on the basis that all information that investors and their professional advisers would reasonably require to make an informed investment decision in relation to the Retail Entitlement Offer, when read with this Offer Document, is publicly available.

This Offer Document is not a prospectus, disclosure document or other offering document under the Corporations Act (or any other Australian or foreign law) and has not been lodged with ASIC.

For the Company to rely on the disclosure exemption in section 708AA of the Corporations Act, the Company is required to lodge a "cleansing notice" under section 708AA(2)(f) of the Corporations Act. That notice is required to:

- (a) set out any information that has been excluded from a continuous disclosure notice in accordance with the Listing Rules and that investors and their professional advisers would reasonably require, and would reasonably expect to find in a disclosure document, for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
 - (ii) the rights and liabilities attaching to the New Shares; and
- (b) state the potential effect of the issue of the New Shares on the control of the Company and the consequences of that effect.

The Company lodged a cleansing notice in respect of the Retail Entitlement Offer with ASX on 15 April 2019.

4.2 Announcements

The Company is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the market. In particular, the Company has an obligation (subject to certain limited exceptions) to notify ASX once it is, or becomes, aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Eligible Shareholders intending to participate in the Retail Entitlement Offer should refer to the announcements made by the Company to the ASX. This information is available from the ASX website, www.asx.com.au (ASX Code: PAR), and the Company's website, <http://Paradigm.com/investors/>

Additionally, the Company is also required to prepare and lodge with ASX yearly and half yearly financial statements accompanied by a directors' statement and report and an audit review or report. These reports are released to ASX and published on the Company's and ASX's websites.

Copies of the Company's announcements and yearly and half yearly financial reports will also be available from the Company Secretaries.

4.3 Underwriting Agreement

Under the Underwriting Agreement, the Company has agreed to pay the Underwriter a management fee and an underwriting fee totalling 5% of the underwritten amount (plus GST) in consideration of the Underwriter performing its obligations under the Underwriting Agreement.

The Underwriter may terminate its obligations to underwrite the Entitlement Offer under the Underwriting Agreement with the Company in circumstances typically found in agreements of this nature (in certain of these circumstances including having regard to the materiality of the success, settlement or marketing of the Offer) if the circumstances arise in relation to the Entitlement Offer. These circumstances include, without limitation:

- (a) ASIC applies for certain orders or commences certain investigations in relation to the Company under the Corporations Act
- (b) management or Board Certificates required to be provided to the Underwriter are not furnished when required or are defective in any material respect;
- (c) this Offer Document or any aspect of the Entitlement Offer does not comply in any material respect with the Corporations Act or the ASX Listing Rules or any other applicable law;
- (d) the Company alters its capital structure or constitution without the prior written consent of the Underwriter;
- (e) any member of the Company group is insolvent;
- (f) the Company is prevented from issuing the Entitlement Offer Shares within the time required by the Listing Rules or applicable laws;
- (g) the Company withdraws all or any part of the Entitlement Offer or indicates that it does not intend to or is unable to proceed with the Offer;
- (h) unconditional approval by ASX for official quotation of the Shares is not granted (or is withdrawn) by the timetabled date or ASX makes an official statement that it will not be granted;
- (i) the S&P/ASX 200 index falls by 10% or more below its level (on the business day before the date of the Underwriting Agreement was signed) for 2 consecutive business days between (and including) that date and the respective settlement dates.
- (j) there is an adverse change, or an event occurs which is likely to give rise to an adverse change, in the business, assets, liabilities, financial position or performance, profits, losses, results, operations or prospects of the Group;
- (k) a representation or warranty made or given by the Company under the underwriting agreement is breached or proves to be, or has been, or becomes, untrue or incorrect or misleading or deceptive;
- (l) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State, adopts or announces a proposal to adopt a new policy any of which does or is likely to prohibit or restrict the Entitlement Offer, capital issues or stock markets or materially adversely affects the Group;
- (m) the occurrence of a suspension or material limitation (for at least one Business Day) in trading in securities generally on ASX, the New York Stock Exchange, the Hong Kong Stock Exchange, the Singapore Stock Exchange or the London Stock Exchange or a suspension (for at least one Business Day) in trading in the securities of the Company on ASX (other than pursuant to a trading halt); or

As is customary with these types of underwriting arrangements:

- (n) the Company has agreed to indemnify the Underwriter, its officers, employees, and agents and advisers against losses incurred in connection with the Entitlement Offer, the Offer Document and the performance of the Underwriting Agreement other than where the losses have resulted from the fraud, wilful default, breach of contract or negligence of the indemnified person or in certain other circumstances; and
- (o) the Company has provided a full range of warranties and representations to the Underwriter, including about the Entitlement Offer and its compliance with applicable laws.

Subject to the certain customary 'permitted exceptions' the Underwriting Agreement generally restricts the Company, without the Underwriters' consent, from issuing equity securities for three months after the Closing Date. The 'permitted exceptions' include a wholesale debt issue, the issuing of Shares issued upon the conversion of the options to purchase Shares or pursuant to an employee incentive scheme or a purchase plan.

The Underwriter has given, and at the time of lodgement of this Offer Document, has not withdrawn its consent to be named as the Underwriter to the offer of Shares under this Offer Document, in the form and context in which it is named. The Underwriter was not involved in the preparation of any part of this Offer Document and did not authorise or cause the issue of this Offer Document. The Underwriter makes no express or implied representation or warranty in relation to the Company, this Offer Document or the Entitlement Offer and do not make any statement in this Offer Document, nor is any statement in it based on any statement made by the Underwriter. To the maximum extent permitted by law, the Underwriter expressly disclaims and takes no responsibility for any material in, or omission from, this Offer Document other than the reference to its name.

4.4 Taxation implications

Eligible Shareholders should be aware that there may be taxation implications associated with participating in the Retail Entitlement Offer. The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

4.5 Governing law

This Offer Document and the contracts which arise on the acceptance of the personalised Entitlement & Acceptance Forms are governed by the laws applicable in Victoria, Australia. Each Eligible Shareholder submits to the non-exclusive jurisdiction of the courts of Victoria.

4.6 Enquiries concerning this Offer Document

Enquiries relating to this Offer Document should be directed to the Company's Share registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

5. RISK FACTORS

This section outlines some (but not all) of the key risks associated with an investment in Paradigm. Paradigm's assets and business is subject to a number of risk factors both specific to its assets / business and of a general nature which may impact on its future performance and forecasts. This is not an exhaustive list of the relevant risks and the risks set out below are not in order of importance. Many of the risks below are outside the control of Paradigm and its directors. These risks and other risks not specifically referred to below, may in the future materially adversely affect the value of Paradigm shares and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by Paradigm in respect of Paradigm shares or Paradigm's business / assets.

Before subscribing for Paradigm shares, prospective investors should carefully consider and evaluate Paradigm, its assets and its business and whether Paradigm shares are suitable to acquire having regard to their own investment objectives and financial circumstances and taking into consideration the material risk factors, as set out below. There is no guarantee of the price at which Paradigm shares may trade in the future nor any dividends or returns of any nature.

In deciding whether to participate in the Offer, you should also read this Offer Booklet and all ASX announcements by the Company in their entirety and carefully consider the risks outlined in this section. Prospective investors should consult their technology, financial, tax and other professional advisers before making an investment decision.

Research and Development Activities: Paradigm's future success is dependent on the performance of Paradigm in clinical trials and whether it proves to be a safe and effective treatment. Paradigm's lead product is an experimental product in clinical development and product commercialisation resulting in potential product sales and revenues is likely to be years away, and there is no guarantee that it will be successful. It requires additional research and development, including ongoing clinical evaluation of safety and efficacy in clinical trials and regulatory approval prior to marketing authorisation. Drug development generally is often associated with a high failure rate and until Paradigm is able to provide further clinical evidence of the ability of Paradigm's product to improve outcomes in patients, the future success of the product in developed remains speculative. Research and development risks include uncertainty of the outcome of results, difficulties or delays in development and generally the uncertainty that surrounds the scientific development of pharmaceutical products.

Regulatory Approval: Paradigm operates within a highly regulated industry, relating to the manufacture, distribution and supply of pharmaceutical products. There is no guarantee that Paradigm will obtain the required approvals, licenses and registrations from all relevant regulatory authorities in all jurisdictions in which it operates. The Commencement of clinical trials may be delayed and Paradigm may incur further costs if the Food and Drug Administration (**FDA**) and other Regulatory Agencies observe deficiencies that require resolution or request additional studies be conducted in addition to those that are currently planned. A change in regulation may also adversely affect Paradigm's ability to commercialise and manufacture its treatments.

Clinical Development: Clinical trials are inherently very risky and may prove unsuccessful or non-efficacious, impracticable or costly - which may impact profitability and commercial potential. Failure or negative or inconclusive results can occur at many stages in development and the results of earlier clinical trials are not necessarily predictive of future results. In addition, data obtained from trials is susceptible to varying interpretations, and regulators may not interpret the data as favourably as Paradigm, which may delay, limit or prevent regulatory approval.

Intellectual Property risks: Securing rights in technology and patents is an integral part of securing potential product value in the outcomes of biotechnology research and development. Competition in retaining and sustaining protection of technology and the complex nature of technologies can lead to patent disputes. Paradigm's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of biotechnology companies can be highly uncertain

and frequently involves complex legal and factual questions, neither the breadth of claims allowed in biotechnology patents nor their enforceability can be predicted. There can be no assurance that any patents which Paradigm may own, access or control will afford Paradigm commercially significant protection of its technology or its products or have commercial application or that access to these patents will mean that Paradigm will be free to commercialise its drug candidates. The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop technology or products to avoid Paradigm's patented technology. Paradigm's current Patenting strategies do not cover all countries which may lead to generic competition arising in those markets.

Competition: The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change, both in Australia and internationally, and there are no guarantees about Paradigm's ability to successfully compete. Paradigm's products may compete with existing alternative treatments that are already available to customers. In addition, a number of companies, both in Australia and internationally, are pursuing the development of competing products. Some of these companies may have, or may develop, technologies superior to Paradigm's own technology. Some competitors of Paradigm may have substantially greater financial, technical and human resources than Paradigm does, as well as broader product offerings and greater market and brand presence. Paradigm's services, expertise or products may be rendered obsolete or uneconomical or decrease in attractiveness or value by advances or entirely different approaches developed by either Paradigm or its competitors.

Commercial Risk: Paradigm may, from time to time, consider acquisition, licensing, partnership or other corporate opportunities for Paradigm's product development programs. There can be no assurance that any such acquisition, licensing, partnership or corporate opportunities can be concluded on terms that are, or are believed by Paradigm to be, commercially acceptable. In the case of licensing and partnership opportunities, even if such terms are agreed there is a risk that the performance of distributors and the delivery of contracted outcomes by collaborators will not occur due to a range of unforeseen factors relating to environment, technology and market conditions.

Market penetration: Where Paradigm does obtain regulatory approval, future success will also depend on Paradigm's ability to achieve market acceptance and attract and retain customers, which includes convincing potential consumers and partners of the efficacy of Paradigm's products and Paradigm's ability to manufacture a sufficient quantity and quality of products at a satisfactory price.

Manufacturing: There is a risk that scale-up of commercial supplies of Pentosan Polysulfate Sodium (PPS) may present technical and supply difficulties. Any unforeseen difficulty relating to manufacturing or supply of commercial GMP quantities of PPS may negatively impact Paradigm's ability to generate profit in future.

Reliance on Key Personnel: Paradigm is reliant on key personnel employed or engaged by Paradigm. Loss of such personnel may have a material adverse impact on the performance of Paradigm. In addition, recruiting qualified personnel is critical to Paradigm's success. As Paradigm's business grows, it may require additional key financial, administrative, investor and public relations personnel as well as additional staff for operations. While Paradigm believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success. The loss of key personnel or the inability to attract suitably qualified additional personnel could have a material adverse effect on Paradigm's financial performance.

Insurance and Uninsured Risks: Although Paradigm maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and Paradigm may decide not to insure against certain risks because of high premiums or other reasons.

Product Safety and Efficacy: Serious or unexpected health, safety or efficacy concerns with Paradigm's (or similar third party) products may expose Paradigm to reputational harm or reduced market acceptance of its products, and lead to product recalls and/or product liability claims and resulting liability, and increased regulatory reporting. There can be no guarantee that unforeseen adverse events or manufacturing defects will not occur. Paradigm will seek to obtain adequate product liability insurance at the appropriate time in order to minimise its liability to such claims however there can be no assurance that adequate insurance coverage will be available at an acceptable cost. Any health, safety or efficacy concerns are likely to lead to reduced customer demand and impact on potential future profits of Paradigm.

Litigation: In the ordinary course of conducting its business, Paradigm is exposed to potential litigation and other proceedings, including through claims of breach of agreements, intellectual property infringement or in relation to employees (through personal injuries, occupational health and safety or otherwise). If such proceedings were brought against Paradigm, it would incur considerable defence costs (even if successful), with the potential for damages and costs awards against Paradigm if it were unsuccessful, which could have a significant negative financial effect on Paradigm's business. Changes in laws can also heighten litigation risk (for example, antitrust and intellectual property). Circumstances may also arise in which Paradigm, having received legal advice, considers that it is reasonable or necessary to initiate litigation or other proceedings, including, for example, to protect its intellectual property rights. There has been substantial litigation and other proceedings in the pharmaceutical industry, including class actions from purchasers and end users of pharmaceutical products.

Share Price Fluctuations: The market price of Paradigm shares will fluctuate due to various factors, many of which are non-specific to Paradigm, including recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, changes in government, fiscal, monetary and regulatory policies, global geo-political events and hostilities and acts of terrorism, and investor perceptions. Fluctuations such as these may adversely affect the market price of Paradigm shares. Neither Paradigm nor the directors warrant the future performance of Paradigm or any return on investment in Paradigm.

Dilution Risk: Eligible shareholders that do not take up all or part of their entitlements will be diluted by not participating to the full extent in the Entitlement Offer and by the Institutional Placement, but and will not be exposed to future increases or decreases in Paradigm's share price in respect of those shares which would have been issued to them had they taken up all of their entitlement.

Economic Risks: Paradigm is exposed to economic factors in the ordinary course of business. A number of economic factors / conditions, both domestic and global, affect the performance of financial markets generally, which could affect the price at which Paradigm Shares trade on ASX. Among other things, adverse changes in macroeconomic conditions, including movements on international and domestic stock markets, interest rates, exchange rates, cost and availability of credit, general consumption and consumer spending, input costs, employment rates and industrial disruptions, inflation and inflationary expectations and overall economic conditions, economic cycles, investor sentiment, political events and levels of economic growth, both domestically and internationally, as well as government taxation, fiscal, monetary, regulatory and other policy changes may affect the demand for, and price of, Paradigm Shares and adversely impact Paradigm's business, financial position and operating results. Trading prices can be volatile and volatility can be caused by general market risks such as those that have been mentioned. Shares in Paradigm may trade at or below the price at which they are currently commence trading on ASX including as a result of any of the factors that have been mentioned, and factors such as those mentioned may also affect the income, expenses and liquidity of Paradigm. Additionally, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of Paradigm.

Dividend Guidance: No assurances can be given in relation to the payment of future dividends. Future determinations as to the payment of dividends by Paradigm will be at the discretion of Paradigm and will depend upon the availability of profits, the operating results and financial

conditions of Paradigm, future capital requirements, covenants in relevant financing agreements, general business and financial conditions and other factors considered relevant by Paradigm. No assurance can be given in relation to the level of tax deferral of future dividends. Tax deferred capacity will depend upon the amount of capital allowances available and other factors.

Forward-Looking Statements: There can be no guarantee that the assumptions and contingencies on which any forward-looking statements, opinions and estimates contained in materials published by Paradigm are based will ultimately prove to be valid or accurate. The forward-looking statements, opinions and estimates depend on various factors, including known and unknown risks, many of which are outside the control of Paradigm. Actual performance of Paradigm may materially differ from forecast performance.

6. DEFINED TERMS

\$ or AUD means Australian dollar.

Applicant refers to a person who submits an Entitlement & Acceptance Form or makes payment via Bpay®.

Application refers to the submission of an Entitlement & Acceptance Form or making payment via Bpay®.

Application Monies means monies payable by Applicants in respect of their Applications.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context may require.

Board means the board of Directors.

Closing Date means the closing date of the Retail Entitlement Offer being 5.00pm (AEST) on 6 May 2019 (subject to the right of the Company to vary the date without notice).

Company or **Paradigm** means Paradigm Biopharmaceuticals Limited ACN 169 346 963.

Directors means the directors of the Company.

Eligible Institutional Shareholder means, in accordance with sections 708(8) and (11) of the Corporations Act, respectively, a sophisticated or professional Shareholder on the Record Date who:

- (a) is not an Ineligible Institutional Shareholder; and
- (b) has successfully received an invitation to participate in the Institutional Entitlement Offer (either directly or through a nominee).

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date whose registered address is in Australia or New Zealand.

Entitlement means the entitlement under the Retail Entitlement Offer to subscribe for 1 New Share for every 8 Shares held by an Eligible Shareholder on the Record Date and as set out in the Entitlement & Acceptance Form and **Entitlements** has a corresponding meaning.

Entitlement & Acceptance Form means the Entitlement & Acceptance Form accompanying this document.

Entitlement Offer means collectively the Institutional Entitlement Offer and the Retail Entitlement Offer.

Ineligible Foreign Shareholder means a Shareholder, at the Record Date whose registered address is not situated in Australia or New Zealand.

Ineligible Retail Shareholder means a Shareholder (or beneficial holder of Shares) other than an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder on the Record Date with a registered address outside Australia and New Zealand or any other jurisdiction that the Company decides to whom ASX Listing Rule 7.7.1(a) applies.

Institutional Entitlement Offer means the accelerated pro rata non-renounceable entitlement offer to Eligible Institutional Shareholders.

Issue Price means \$1.50 per New Share.

Listing Rules means the listing rules of the ASX.

New Shares means the Shares proposed to be issued pursuant to this Retail Entitlement Offer.

Opening Date means the opening date of the Retail Entitlement Offer being 24 April 2019 (subject to the right of the Company to vary the date without notice).

Placement has the meaning as provided in section 1.1.

Record Date means 7.00pm (AEST) on 17 April 2019.

Retail Entitlement Offer means non-renounceable pro rata offer of New Shares on the basis of 1 New Share for every 8 Shares held on the Record Date at the Issue Price pursuant to this Offer Document.

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

Shareholder means a holder of Shares.

Share Registry means Computershare Investor Services Pty Limited.

Underwriter and **Underwriting Agreement** have the meaning as provided in section 1.9.

7. CORPORATE DIRECTORY

DIRECTORS

Graeme Kaufman - Non executive chair

Paul Rennie - Managing director

Chris Fullerton - Non executive director

John Gaffney - Non executive director

COMPANY SECRETARY and CFO

Kevin Hollingsworth

REGISTERED OFFICE

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

WEBSITE

www.paradigmbiopharma.com

SHARE REGISTRY

Computershare Investor Services Pty Limited.

GPO BOX 505 Melbourne Victoria 3001 Australia

For all enquiries:

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

Web:
www.investorcentre.com/contact

PAR
MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:



See overleaf for details of the Offer and how to make your payment

Retail Entitlement Offer — Entitlement and Acceptance Form

 **Your payment must be received by 5:00pm (AEST) Monday, 6 May 2019**

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Step 1: Registration Name & Offer Details

Details of the shareholding and entitlements for this Offer are shown overleaf.

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. Enter the number of New Shares you wish to apply for and the amount of payment for those New Shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Offer Document dated 17 April 2019.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the payment slip with BPAY payment.

By Mail: Complete the reverse side of the payment slip and detach and return with your payment. Make your cheque, bank draft or money order payable in Australian dollars to "**Paradigm Biopharmaceuticals Limited**" and cross "**Not Negotiable**". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the payment slip. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

STEP 1

Registration Name & Offer Details

Registration Name:

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Offer Details:

Existing shares entitled to participate as at
17 April 2019:

Entitlement to New Shares
on a 1 for 8 basis:

Amount payable on full acceptance
at \$1.50 per New Share:

XX

X

\$X.XX

For your security keep your SRN/
HIN confidential.

Entitlement No: 12345678

STEP 2

Make Your Payment

B

PAY

Billers Code:

Ref No:

Pay by Mail:

Make your cheque, bank draft or money order payable to "Paradigm Biopharmaceuticals Limited" and cross "Not Negotiable".
Return your cheque with the below payment slip to:
Computershare Investor Services Pty Limited
GPO BOX 505 Melbourne Victoria 3001 Australia

Contact your financial institution to make your
payment from your cheque or savings account.

Lodgement of Acceptance

If you are applying for New Shares and your payment is being made by BPAY, you do not need to return the payment slip below. Your payment must be received by no later than 5:00pm (AEST) Monday, 6 May 2019. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor Paradigm Biopharmaceuticals Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.
If you are paying by cheque, bank draft or money order the payment slip below must be received by CIS by no later than 5:00pm (AEST) Monday, 6 May 2019. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the payment slip below with cheque attached. Neither CIS nor Paradigm Biopharmaceuticals Limited accepts any responsibility if you lodge the payment slip below at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuers administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Detach here

Paradigm Biopharmaceuticals Limited Acceptance Payment
Details

Entitlement taken up:

Amount enclosed at \$1.50 per
New Share:

A\$

Payment must be received by 5:00pm (AEST) Monday, 6 May 2019

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Entitlement No: 12345678

Contact Details

Contact
Name

Daytime
Telephone

Cheque Details

Drawer

Cheque Number

BSB Number

Account Number

Amount of Cheque

A\$

123456789123456789+0000000001-3051+14