

Paradigm Biopharmaceuticals Limited and Controlled Entities

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2015 ANNUAL REPORT

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Directors

Mr Graeme Kaufman	–	Chairman & Non-Executive Director
Mr Paul Rennie	–	Chief Executive Officer & Managing Director
Mr Christopher Fullerton	–	Non-Executive Director
Mr John Gaffney	–	Non-Executive Director

Company Secretary

Mr Kevin Hollingsworth

Principal Place of Business and Registered Office

C/-Hollingsworth & Co Pty Ltd
Level 2, 517 Flinders Lane
Melbourne VIC 3000

Telephone: (61-3) 9629 5566
Facsimile: (61-3) 9629 5466

Auditor

RSM Bird Cameron Partners
Level 21
55 Collins Street
Melbourne, Victoria, 3000

Solicitors

K&L Gates
Level 25, South Tower, 525 Collins Street
Melbourne VIC 3000

Share Registry

Computershare Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Telephone: (61-3) 1300 137 328

Stock Exchange

ASX Limited
Level 4, North Tower, 525 Collins Street
Melbourne VIC 3000

ASX Code: PAR

Dear Shareholders,

It gives me much pleasure to present to you the 2015 Annual Report for Paradigm Biopharmaceuticals Limited (Paradigm).

On 19 August 2015 Paradigm listed on the Australian Securities Exchange (ASX). I am pleased to advise that the offer, under the prospectus, was oversubscribed.

The Paradigm business model is built on taking an existing approved drug, Pentosan Polysulphate Sodium (PPS), which has already demonstrated safety in its approved indications, and repurposing that drug to address new patented therapeutic applications. We have acquired intellectual property to protect these new applications and their substantial markets. By following this approach, we seek to achieve significant reductions in the time, cost and risk associated with the clinical and commercial development pathways to speed access to global markets.

Since listing on the ASX, the Company has made excellent progress in the repurposing of PPS for the treatment of traumatic bone marrow (BME) lesions and allergic rhinitis (AR).

We have deepened our business structure by recruiting several new staff members who have extensive technical experience coupled with high level skills in managing outsourcing of pre-clinical, clinical and manufacturing activities. The Company has already entered into agreements with high quality consultants with strong international experience in their respective specialties. We are also partnering with the best contract research and contract manufacturing groups to rapidly advance both the BME and AR programs.

Over the next 12 months we anticipate producing data from our human clinical trials which will position the Company to enter into partnering discussions in the future.

Finally, I would like to thank all Paradigm shareholders and I look forward to meeting you at the Company's AGM.

On behalf of the Directors,



Graeme Kaufman
Chairman

Melbourne, Victoria
17 September 2015

CHIEF EXECUTIVE OFFICER'S REVIEW

I am pleased to share with you the excellent progress that the Paradigm team has made since listing on our business plan for the repurposing of the drug Pentosan Polysulphate Sodium for the two indications of Bone Marrow Edema (BME) and Allergic Rhinitis (AR).

INTELLECTUAL PROPERTY:

BME Patent;

The Company announced on 26 August 2015 it had been granted a patent by the United States Patent and Trademark Office (USPTO) to use the drug Pentosan Polysulphate Sodium (PPS) for treatment of Bone Marrow (o)Edema (BME). The US granted patent (US 9,101,650 B2) entitled 'Treatment of bone marrow edema (oedema) with polysulfated polysaccharides' provides coverage until February 2032. The BME patent is now granted in Australia, New Zealand and the USA.

Respiratory Patent;

Since listing on the ASX the purchase of respiratory IP assets in relation to use of PPS for treating Allergic Rhinitis, Allergic Asthma and COPD from Glycan Biosciences LLC has been completed. The Respiratory patent is now granted in Australia, New Zealand and China.

Exosome patent;

The Exosome patent is being prosecuted in all major markets.

CLINICAL DEVELOPMENT

The Company plans to undertake an open labelled Phase 2 clinical trial (up to 40 subjects), investigating the role of the drug PPS in treating traumatic Bone Marrow Lesions (BML's), commencing in the first half of the 2016 calendar year.

It also plans to commence a Phase 1a clinical trial (up to 20 healthy volunteers) for the repurposing of PPS in treating Allergic Rhinitis (AR) in the second half of the 2016 calendar year.

Upon successful completion of the BML open labelled Phase 2 and AR Phase 1a clinical trials, the Company will commence a Phase 2a dose escalating BML clinical trial and a Phase 1b/2a AR clinical trial.

Developing Clinical Trial Infrastructure

The Company has been developing the infrastructure and resources to execute its clinical development plans. This includes:

- Appointing key staff;
- Consulting agreements with experienced consulting orthopaedic and respiratory surgeons/physicians;
- Consulting agreements with experienced regulatory and clinical trial experts in Australia and USA;
- Appointing internationally recognised academics to its Scientific Advisory Board (SAB); and
- Service agreements concluded with key clinical trial service providers.

Clinical Trial Logistics

The Company has:

- Prepared clinical trial documents to current Good Clinical Practice (cGCP);
- Implement a Quality Assurance System to encompass Companywide activities;
- Prepared Human Research Ethics Committee (HREC) submissions for the BML open label Phase 2 clinical trial.
- Contracted with a leading European drug Contract Research Organisation (CRO) to manufacture the nasal formulation for the preclinical study and the Phase 1 clinical trial;
- Entered into a collaboration with the world leading European manufacturer of nasal and pulmonary drug delivery devices;
- Contracted with one of the world's most experienced preclinical CRO's, based in the USA, to undertake a preclinical nasal toxicology study to current Good Laboratory Practice (cGLP) standards;
- Contracted with experienced clinical trial and regulatory consultants both in Australia and the USA; and
- Appointed Dr Ravi Krishnan as Chief Scientific Officer.

To manage the clinical trial development and logistics the Company has appointed Dr Claire Kaufman as the Operations Manager.

Clinical Trial Product

Eligible subjects in the BML open label Phase 2 clinical trial will be administered with the finished PPS product (injectable), imported directly from bene pharmaChem (Germany). Orders for the product have been placed with bene pharmaChem.

Subjects in the AR Phase 1a clinical trial will self-administer the PPS solution in the form of a nasal spray. To enable this clinical trial, the Company needs to source a nasal spray device, develop a nasal formulation and finalize a nasal toxicology preclinical study. Key agreements have been entered into to source the nasal sprays, develop the nasal formulation and undertake a preclinical nasal toxicology study (see Clinical Trial Logistics above).

BUSINESS DEVELOPMENT

The Company has appointed Dr Keith Williams as its Business Development Manager to commence discussions with Pharma and Medical device companies early in the Company's clinical development plans. Business development activities will focus on developing the Company's IP assets along with generating Phase 2 data to allow partnering on product development in various geographies.

RESEARCH & DEVELOPMENT

A focused Research & Development (R&D) program will be undertaken to identify and develop second generation products. This R&D program will be run by the Company's Chief Scientific Officer.

GOING FORWARD MILESTONES

During 2016, the Company has an ambitious plan to generate human data with the repurposed drug, PPS, commence business development activities and continue to develop and prosecute the Company's IP portfolio. Paradigm has identified the following milestones for the coming year:

- US Patent granted for treatment of Bone Marrow Edema with PPS;
- Ethics Approval for Open Label Pilot Phase 2 Bone Marrow Edema clinical trial;
- 1st Patient treated under the Open Label Pilot Bone Marrow Edema trial;
- 1st Patient treated under the TGA's Category B Special Access Scheme for Bone Marrow Edema;
- Finalize Nasal Formulation for Allergic Rhinitis;
- Ethics Approval for Phase 1 clinical trial Allergic Rhinitis;
- Detailed review of Exosome IP.

Sincerely yours,



Paul Rennie
Chief Executive Officer

DIRECTORS' REPORT

The Directors present their report together with the financial report of Paradigm Biopharmaceuticals Limited and Controlled Entities (the "Company") and its controlled entities (the "Group"), for the financial year ended 30 June 2015, and the auditor's report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Graeme Kaufman, Chairman and Non-Executive Director (Appointed on 02 May 2014)

Graeme Kaufman BSc, MBA, has wide ranging experience across the biotechnology sector, spanning scientific, commercial and financial areas. His experience with CSL Limited, Australia's largest biopharmaceutical company included responsibility for all of their manufacturing facilities, and the operation of an independent business division operating in the high technology medical device market. As CSL's General Manager Finance, Mr Kaufman had global responsibility for finance, strategy development, human resources and information technology. Mr Kaufman has also served as an executive director of ASX-listed Circadian Technologies and a non-executive director of Amrad Corporation, and held the role of Executive Vice President Corporate Finance with Mesoblast Limited until 2013. He is currently Chairman of Bionomic Limited and IDT Australia Limited.

Paul Rennie, Managing and Executive Director (Appointed on 02 May 2014)

Paul Rennie BSc, MBM, Grad Dip Commercial Law, MSTC, has sales, marketing, business development, operational and IP commercialisation experience in the biopharmaceutical sector. Paul's experience includes working for Boehringer Mannheim (now Roche Diagnostics), Merck KGGA as national sales and marketing manager and Soltec (FH Faulding Ltd) as their director of business development. Paul also led the commercialisation of Recaldent® a novel biopharmaceutical arising from research at the dental school, University of Melbourne. Paul took an R&D project from the laboratory bench to a commercial product now marketed globally as an additive to oral care products. More recently Paul worked in a number of positions with Mesoblast Ltd. Paul was the inaugural COO and moved into Executive Vice President New Product Development for the adult stem cell company. For the past year Paul has worked full time at Paradigm BioPharmaceuticals Ltd.

Christopher Fullerton, Non-Executive Director (Appointed on 30 September 2014)

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.

John Gaffney, Non-Executive Director (Appointed on 30 September 2014)

John Gaffney LL.M is a lawyer with over 30 years' experience and has undertaken the AICD Company Directors qualification. He brings to the board a compliance and corporate governance background and is experienced in financial services compliance. John also has corporate and commercial experience having worked with a major national law firm as a senior lawyer and also practised as a Barrister at the Victorian Bar. Previously John has been a non-executive director of a US based biotechnology company.

Kevin Hollingsworth, Executive Director (Appointed on 02 May 2014, ceased on 30 September 2014)

Kevin Hollingsworth, FCPA, FCMA, CGMA, in addition to his duties at Paradigm, serves as Principal of Hollingsworth Financial Services. Prior to that he served as Chief Financial Officer and Company Secretary of Mesoblast Limited (ASX: MSB), before which he held the same positions at Patrys Limited (ASX: PAB). At Alpha Technologies Corporation Limited (ASX: ASU), Kevin Hollingsworth served as a Non-Executive Director. He has served as National President of CIMA Australia, State Councillor for CPA Australia and Chairman of the National and Victorian Industry and Commerce Accountants Committees. He is a Chartered Global Management Accountant and Fellow of CPA Australia and Chartered Management Accountants.

COMPANY SECRETARY

Kevin Hollingsworth, Company Secretary (Appointed on 02 May 2014)

DIRECTORS' REPORT

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by Directors of the Company during the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship	
		From	To
Graeme Kaufman	Bionomics Limited	18-Sep-12	Current
	IDT Australia Limited	01-Jun-13	Current
	Cellmid Limited	27-Aug-12	30-Jun-15
Christopher Fullerton	Bionomics Limited	23-Dec-08	31-Dec-12

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board		Nomination & Remuneration Committee		Audit & Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Graeme Kaufman	10	10	1	1	1	1
Paul Rennie	10	10	1	1	1	1
Christopher Fullerton	8	8			1	1
John Gaffney	8	7			1	1
Kevin Hollingsworth	2	2	1	1		

Committee membership

As at the date of the report, the Company had a Nomination and Remuneration Committee and an Audit and Risk Committee of the Board of Directors. Members acting on the committees of the Board during the financial year were:

Nomination & Remuneration Committee	Audit & Risk Committee
Graeme Kaufman	Christopher Fullerton
Paul Rennie	John Gaffney
Christopher Fullerton	Graeme Kaufman
John Gaffney	

PRINCIPAL ACTIVITIES

The principal activities of the Group are researching and developing therapeutic products for human use.

RESULTS

The Group made a loss for the financial year ended 30 June 2015 of \$1,081,105 (2014: Loss of \$38,573).

OPERATING AND FINANCIAL REVIEW

Operating review

ENVIRONMENTAL REGULATION

The Group's operations are not regulated by any significant environmental law of the Commonwealth or of a state or territory of Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the entities in the Group during the year.

DIVIDENDS

No dividends were declared or paid since the start of the financial year. No recommendation for payment of dividends has been made.

EVENTS SUBSEQUENT TO BALANCE DATE

On the 5 August 2015, Paradigm completed its Asset Purchase Agreement with Glycan Biosciences LLC with the final payment of \$410,228 (USD300,000).

On the 7 August 2015, having obtained conditional approval from the ASX for the admission of Paradigm to the ASX Official List and having raised \$8,000,000 as part of its Initial Public Offer, Paradigm completed the acquisition of Xosoma Pty Ltd. Paradigm now owns 100% of Xosoma Pty Ltd and the Xosoma vendors have received 19,495,238 Paradigm shares.

On the 7 August 2015, 1,235,000 Series 1 Preference Shares were converted to 7,057,143 Ordinary Shares.

On the 7 August 2015, 600,000 Series 2 Preference Shares were converted to 2,637,363 Ordinary Shares.

On the 19 August 2015, having raised the maximum subscription of \$8,000,000 as part of its Initial Public Offer, Paradigm shares were quoted on the Official List of the ASX.

Other than the matters noted above, no other matters or circumstances have arisen since balance date which have impacted or are likely to impact the Consolidated Entity's operations, results and state of affairs in future financial years.

LIKELY DEVELOPMENTS

Refer to the developments outlined in the prospectus.

CORPORATE GOVERNANCE

The Company's Corporate Governance Statement can be found in Appendix A.

DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options issued by the Company at the date of this report is as follows:

Director	Ordinary shares
Graeme Kaufman	2,043,000
Paul Rennie	21,214,543
Christopher Fullerton	617,145
John Gaffney	600,000

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the current directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

The Company paid a premium during the year in respect of a director and officer liability insurance policy, insuring the Directors of the Company, the Company Secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

NON-AUDIT SERVICES

The Company's auditor, RSM Bird Cameron Partners, was appointed in July 2014 for audit services and also provided taxation services during the year (2014: Nil).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 13 of the financial report.

AUDITED REMUNERATION REPORT

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and the *Corporations Regulations 2001*.

For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company. The Group does not presently employ any other key management personnel, other than the executive director and chief financial officer.

KEY MANAGEMENT PERSONNEL

The following were key management personnel of the Group at any time during the year and unless otherwise indicated were key management personnel for the entire year:

Name	Position held	Date Appointed	Date Ceased
Graeme Kaufman	Chairman & Non-Executive Director	02 May 2014	
Paul Rennie	Managing & Executive Director	02 May 2014	
Christopher Fullerton	Non-Executive Director	30 September 2014	
John Gaffney	Non-Executive Director	30 September 2014	
Kevin Hollingsworth	Executive Director	02 May 2014	30 September 2014
	Chief Financial Officer	02 May 2014	

REMUNERATION COMMITTEE

The Nomination and Remuneration Committee proposes candidates for director appointment for the Board's consideration, reviews the fees payable to both executive and non-executive directors and reviews and advises the Board in relation to chief executive officer succession planning. The Nomination and Remuneration Committee has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.

The Nomination and Remuneration Committee is a committee of the Board and is established in accordance with the authority provided in the Company's constitution.

The Board is responsible to shareholders for ensuring that the Company:

- has coherent remuneration policies and practices which are observed and which enable it to attract and retain executives and directors who will create value for shareholders;
- fairly and responsibly rewards executives having regard to the performance of the Company, the performance of the executive and the general pay environment;
- provides disclosure in relation to the Company's remuneration policies to enable investors to understand the costs and benefits of those policies and the link between remuneration paid to directors and key executives and corporate performance; and
- complies with the provisions of the ASX Listing Rules and the Corporations Act.

PRINCIPLES OF REMUNERATION

The primary purpose of the Nomination and Remuneration Committee is to support and advise the Board in fulfilling its responsibilities to shareholders in ensuring that the Board is appropriately remunerated, structured and comprised of individuals who are best able to discharge the responsibilities of directors by:

- assessing the size, composition, diversity and skills required by the Board to enable it to fulfil its responsibilities to shareholders, having regard to the Company's current and proposed scope of activities;
- assessing the extent to which the required knowledge, experience and skills are represented on the Board;
- establishing processes for the identification of suitable candidates for appointment to the Board;
- overseeing succession planning for the Board and CEO;
- establishing processes for the review of the performance of individual directors and the Board as a whole;
- assessing the terms of appointment and remuneration arrangements for non-executive directors; and
- assessment and reporting to the Board

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives.

DIRECTORS' REPORT

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. Remuneration of non-executive directors is determined in maximum aggregate by the shareholders, and is allocated by the Board on the recommendation of the Remuneration Committee. The Remuneration Committee will take independent advice in respect to directors' fees on an as needed basis.

There is no separate payment made for attendance at Board committee meetings or for other attendances to Company or Board activities.

Directors are not required to hold shares in the Company as part of their appointment.

There is to be no plan to provide remuneration, reward or other benefits to non-executive directors upon the cessation of them holding office as a director.

Executive remuneration

Executive directors receive no extra remuneration for their service on the Board beyond their executive salary package.

Fixed compensation

Fixed compensation consists of base compensation, as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of the Group.

Short-term incentives (STI)

Executive key management personnel may receive short-term incentives.

Long term incentives

Share-based compensation - Options granted to Directors and key management personnel

The Company has a long term incentive plan, being the Employee Share Plan (ESP). Refer to Note 9 for further information on the Plan. The shares issued under the ESP are considered to be options.

Issue of shares

Details of shares issued to directors and other key management personnel as part of the ESP compensation during the year ended 30 June 2015 are set out below:

Name	Date	Shares	Issue price	Fair value of issued shares	\$
Graeme Kaufman	29 May 2015	1,200,000	\$0.35	\$0.208	249,600
Paul Rennie	29 May 2015	600,000	\$0.35	\$0.208	124,800
Christopher Fullerton	29 May 2015	600,000	\$0.35	\$0.208	124,800
John Gaffney	29 May 2015	600,000	\$0.35	\$0.208	124,800
Kevin Hollingsworth	29 May 2015	600,000	\$0.35	\$0.208	124,800

Movement in shares

The movement during the reporting period in the number of ordinary shares in Paradigm Biopharmaceuticals Limited held directly, indirectly or beneficially by each director and key management person, including their related entities is as follows:

Directors & Key Management Persons	Held at year opening	Subdivision of shares	Purchases	Issued via ESP	Disposals	Held at year end
Graeme Kaufman	-	-	-	1,200,000	-	1,200,000
Paul Rennie	1	20,614,542	-	600,000	-	21,214,543
Christopher Fullerton	-	-	-	600,000	-	600,000
John Gaffney	-	-	-	600,000	-	600,000
Kevin Hollingsworth	-	-	-	600,000	-	600,000

EMPLOYMENT AGREEMENTS

Remuneration and other terms of employment for the Chief Executive Officer is formalised in a service agreement. Details of this agreement is as follows:

Name:	Paul Rennie
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	7 November 2014
Term of agreement:	3 years
Details:	Base annual package *, STI and discretionary share based LTI remuneration, subject to annual performance review. 6 month termination notice by either party. 3-12 month non-solicitation clause after termination depending on the area. The Company may terminate the agreement with cause in certain circumstances such as gross misconduct.

* Base annual package - \$280,000 per annum plus statutory superannuation

DIRECTORS' REPORT

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of the remuneration of each key management person of the Group for the year ended 30 June 2015 are:

	Short-term	Post-employment	Long-term	Share-based payments			
	Salary & fees	Superannuation benefits	Long service leave	Options	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
	\$	\$	\$	\$	\$	%	%
Directors & Key Management Personnel							
<i>Non-executive</i>							
Graeme Kaufman	84,000	7,980	-	249,600	180,180	0%	73.07%
Christopher Fullerton	-	-	-	124,800	44,100	0%	100.0%
John Gaffney	-	-	-	124,800	44,100	0%	100.0%
<i>Executive</i>							
Paul Rennie	120,000	11,400	-	124,800	175,500	0%	48.71%
Kevin Hollingsworth	78,000	7,410	-	124,800	129,510	0%	59.37%
Total							
2015	204,000	19,380	-	748,800	573,390	-	70.80%
2014	-	-	-	-	-	-	-

This is the end of the audited Remuneration Report.

Dated at Melbourne, Victoria this 17th day of September 2015.

Signed in accordance with a resolution of the Directors:



Graeme Kaufman
Chairman

RSM Bird Cameron Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Paradigm Biopharmaceuticals Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

JASON CROALL
Partner

Melbourne, Victoria

Dated: 17 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 30 June 2015

	Notes	Period from 1-July-14 to 30-Jun-15 \$	Period from Incorporation 2-May-14 to 30-Jun-14 \$
Other income	2	7,331	-
Research & development		(157,710)	-
Employee expenses	3	(1,195,029)	-
General and administration expenses		(219,897)	(38,573)
Loss before income tax		(1,565,305)	(38,573)
Income tax expense / (benefit)		-	-
Loss for the year		(1,565,305)	(38,573)
Other comprehensive income		-	-
Total comprehensive income attributable to members of the consolidated entity		(1,565,305)	(38,573)

Earnings per share (4.68) cents

There is no material difference between basic and diluted earnings per share

The consolidated statement of profit or loss is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	124,857	7,772
Trade and other receivables	5	15,741	19,950
Prepaid capital raising costs		697,527	100,157
Total current assets		838,125	127,879
Non-current assets			
Intangible assets	6	356,288	88,921
Total non-current assets		356,288	88,921
Total assets		1,194,413	216,800
LIABILITIES			
Current liabilities			
Trade and other payables	7	585,287	368,665
Total current liabilities		585,287	368,665
Net assets		609,126	(151,865)
EQUITY			
Issued capital	8	1,577,497	1
Share Options reserve	9	748,800	-
Accumulated losses	10	(1,717,171)	(151,866)
Total equity		609,126	(151,865)

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2015

	Period from 1-July-14 to 30-Jun-15 \$	Period from Incorporation 2-May-14 to 30-Jun-14 \$
Cash flows from operating activities		
Payments to suppliers and employees	(1,210,614)	(102,954)
Interest received	7,331	-
Net cash outflow from operating activities	(1,203,283)	(102,954)
Cash flows from investing activities		
Payments for intangible assets	(237,977)	(85,058)
Net cash outflow from investing activities	(237,977)	(85,058)
Cash flows from financing activities		
Receipts from issue of preference shares (net of the payment of costs)	1,582,345	1
Net movement in related party loans	(24,000)	195,783
Net cash inflow from financing activities	1,558,345	195,784
Net increase in cash and cash equivalents	117,085	7,772
Cash at the beginning of the financial period	7,772	-
Cash at the end of the financial period	124,857	7,772
Non cash operating and investing activities:		
Costs for intangible assets included in trade payables	29,390	-
Non cash operating and financing activities:		
Share issue costs included in trade payables	4,849	-

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2015

	Issued Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total \$
Balance at Incorporation 2 May 2014	-	-	-	-
Accumulated losses of Paradigm Heath Sciences Pty Ltd at 2 May 2014	-	-	(113,293)	(113,293)
Loss for the period	-	-	(38,573)	(38,573)
Shares issued	1	-	-	1
Balance at 30 June 2014	1	-	(151,866)	(151,865)
Loss for the period	-	-	(1,565,305)	(1,565,305)
Shares issued	1,835,000	-	-	1,835,000
Costs in relation to shares issued	(257,504)	-	-	(257,504)
Fair value of shares issued to eligible employees under the plan	-	748,800	-	748,800
Balance at 30 June 2015	1,577,497	748,800	(1,717,171)	609,126

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

Paradigm Biopharmaceuticals Limited and Controlled Entities (the "Company") is a company incorporated and domiciled in Australia. Paradigm Biopharmaceuticals Limited and Controlled Entities is a company limited by shares which are publicly traded on the Australian Securities Exchange from 19 August 2015. The consolidated financial report of the Company for the year ended 30 June 2015 comprises the Company and its subsidiaries (together referred to as the "Group").

The nature of the operations and principal activities of the Group are described in the Directors' Report.

For the purposes of preparing the financial statements the Company is a for-profit entity.

(b) Basis of preparation

(i) Statement of compliance

This financial report is a general purpose financial report prepared in accordance with the Australian Accounting Standards ("AASs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. This consolidated financial report complies with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board (IASB).

(ii) Basis of measurement

The financial report is prepared on the accruals basis and the historical cost basis. The functional and presentation currency of the Company and the Group is the Australian Dollar.

(iii) Significant accounting policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

New and amended standards adopted by the entity.

The Group has reviewed and applied all new accounting standards and amendments applicable for the first time in their annual reporting period commencing 1 July 2014, and determined that there was no material impact on the Group's financial statements in the current reporting year.

(c) Significant accounting estimates, assumptions and judgements,

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Impairment of intangible assets

The Group determines whether intangible assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the asset. If any of these estimates were to significantly change, it may have a material impact on the reported amount of intangible assets.

Provision for annual leave and long service leave

The calculation of annual leave and long service leave has been based on estimates and judgements made by the Directors. Should any of these estimates or judgements significantly change this could have a material effect on the amount recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Summary of Significant Accounting Policies

(i) Basis of consolidation

Subsidiaries

The consolidated financial statements comprise those of the Company, and the entities it controlled at the end of, or during, the financial year. The balances and effects of transactions between entities in the consolidated entity included in the financial statements have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group until the date that control ceases.

Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

The acquisition of Paradigm Health Sciences Pty Limited ("PHS") on 5 June 2014 was treated as a common control transaction. Consequently, this transaction did not fall into the scope of AASB 3 – *Business Combinations*.

The acquisition of PHS has been accounted for using book value accounting whereby the assets and liabilities of PHS are recognised at their previous carrying amounts. No adjustments were made to reflect fair values and no new assets and liabilities of PHS were recognised at the date of the acquisition. The Consolidated Statement of Total Comprehensive Income for the period from incorporation 2 May 2014 to 30 June 2014 includes the results of PHS for the entire period.

Transactions eliminated on consolidation

Intra-Group balances and all gains and losses or income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

(ii) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above but also include as a component of cash and cash equivalents bank overdrafts (if any), which are included as borrowings on the statement of financial position.

(iii) Intangible assets

(a) Patents

Patents consist of intellectual property and licences that have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Patents are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(b) Research and development costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

(iv) Impairment

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(v) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the entity during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within the requisite terms specified by the supplier.

(vi) Share capital

Ordinary and preference shares are classified as equity.

Any incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds.

(vii) Employee Benefits

Wages and salaries, annual leave and long service leave

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits are measured based on an assessment of the existing benefits to determine the appropriate classification under the definition of short term and long term benefits, placing emphasis on when the benefit is expected to be settled.

Short term benefits provisions that are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long term benefits provisions that are not expected to be settled within 12 months, and are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date to estimate the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Regardless of the expected timing of settlement, provisions made in respect of employee benefits are classified as a current liability unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability. Provisions made for annual leave and unconditional long service leave are classified as a current liability where the employee has a present entitlement to the benefit. Provisions for conditional long service are classified as non-current liability.

Share-based payments

The Company operates an incentive scheme to provide these benefits, known as the Paradigm Biopharmaceuticals Limited Employee Share Plan ("ESP") approved on 22 October 2014. Issues of shares to employees with limited recourse loans under the ESP are considered to be share based payments in the form of options.

The fair value of options granted under the ESP is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date is determined using a binomial pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the limited recourse loan. In valuing share-based payment transactions, no account is taken of any non-market performance conditions.

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The cost of share-based payment transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(viii) Revenue

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

(ix) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated entity. As a consequence, all members of the tax-consolidated entity are taxed as a single entity. The head entity within the tax-consolidated entity is Paradigm Biopharmaceuticals Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated entity are recognised in the separate financial statements of the members of the tax-consolidated entity using the 'separate taxpayer within consolidated entity' approach by reference to the carrying amount of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated entity. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated entity to the extent that it is probable that future taxable profits of the tax-consolidated entity will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows at their nominal value inclusive of GST.

(xi) Earnings per share

The Group presents basic and, when applicable, diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting basic earnings for the impact of the after tax effect of costs associated with dilutive ordinary shares and the weighted average number of additional ordinary shares that would be outstanding assuming the conversion of all dilutive potential ordinary shares. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xii) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other payables

The fair value of trade and other payables recognised as a result of a business combination is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of incentive options is measured using the binomial model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(xiii) New accounting standards and interpretations applicable to the Company in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

The following are applicable for annual reporting periods commencing on or after the indicated date but are not considered to materially impact on the Group;

Applicable after 1 July 2015

AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

Applicable after 1 January 2016

Amendments to Australian Accounting Standards

AASB 2014-3 *Accounting for Acquisitions of Interests in Joint Operations*

AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation*

AASB 2014-9 *Equity Method in Separate Financial Statements*

AASB 2014-10 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

AASB 2015-1 *Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*

AASB 2015-2 *Disclosure Initiative: Amendments to AASB 102*

AASB 2015-5 *Investment Entities: Applying the Consolidation Exception*

Applicable after 1 January 2017

AASB 15 *Revenue from Contracts with Customers*

AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

Applicable after 1 January 2018

AASB 9 *Financial Instruments*

AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

	2015 \$	2014 \$
2. OTHER INCOME		
Interest received	<u>7,331</u>	<u>-</u>
3. EMPLOYEE EXPENSES		
Wages, salaries and self-employed contractors expenses	294,000	-
Defined contribution superannuation expenses	35,910	-
Increase in liability for annual service leave	29,209	-
Non-executive Directors fees	84,000	-
Fair values of shares issued to eligible employees under the ESP	748,800	-
Workcover	3,109	-
	<u>1,195,029</u>	<u>-</u>
4. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	124,857	7,772
	<u>124,857</u>	<u>7,772</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015 \$	2014 \$
5. TRADE AND OTHER RECEIVABLES		
GST receivable	15,741	19,950
	<u>15,741</u>	<u>19,950</u>

6. INTANGIBLE ASSETS		
Patents and development costs	356,288	88,921
Less: Accumulated amortisation	-	-
Total Intangible Assets	<u>356,288</u>	<u>88,921</u>
Reconciliation		
Carrying amount at the beginning of the period	88,921	-
WDV of patents and development costs held by PHS upon acquisition at 2 May 2014	-	72,007
Additions during the period	267,367	16,914
Disposals	-	-
Amortisation expense	-	-
Balance at the end of the period	<u>356,288</u>	<u>88,921</u>

7. TRADE AND OTHER PAYABLES

Trade and other creditors	413,504	172,882
Related party loans	171,783	195,783
	<u>585,287</u>	<u>368,665</u>

The related party loans are interest-free and repayable on demand.

8. ISSUED CAPITAL

Issued capital

37,368,333 (2014: 1) fully paid ordinary and preference shares	<u>1,577,497</u>	<u>1</u>
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The following movements in issued capital occurred during the year:

	2015 Number of Shares	2015 \$	2014 Number of Shares	2014 \$
Balance at the beginning of the period	1	1	-	-
Subdivision of shares	31,933,332	-	1	1
Shares issued under ESP	3,600,000	-	-	-
Preference shares issued during the period	1,835,000	1,835,000	-	-
Share issue costs (Net of GST)	-	(257,504)	-	-
Balance at the end of the period	<u>37,368,333</u>	<u>1,577,497</u>	<u>1</u>	<u>1</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2015

8. ISSUED CAPITAL (cont'd)

In addition the Company has granted various options which expire 3 years from ASX listing of the Company with (i) 3,023,812 unlisted options at an exercise price of \$0.375 per option; and (ii) 1,714,285 unlisted options at an exercise price of \$0.50 per option and otherwise on the terms specified in the ASX Listing Rules.

2015	2014
\$	\$

9. RESERVES

Balance as at the beginning of the period	-	-
Fair values of shares issued to eligible employees under the ESP	748,800	-
	748,800	-

Paradigm Biopharmaceuticals Limited Employee Share Plan ("ESP")

The establishment of the ESP was approved on 22 October 2014. Under the ESP, participating employees are invited to purchase shares in the Company at a price of \$0.35 per share to participate in the Plan.

Once approved by the Board, monies are loaned by the Company interest free and on a non-recourse basis to participants to finance the purchase of shares in the Company. The ESP shares are registered in the name of participants but are subject to a restriction on disposal for a period of five years (from date of issue) and for further periods whilst they remain financed. On cessation of employment, the entitlement to any shares held for less than three years is pro-rated.

The shares issued under the ESP are treated as options for accounting purposes, do not expire, and vest immediately on grant date.

Fair values at loan date are determined using a binomial pricing model that takes into account the issue price, the term of the loan, the share price at loan date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the loan.

The model inputs for assessing the fair values were:

Issue price	\$0.35
Loan Expiry date	5 years from issue
Value of underlying share at loan date	\$0.35
Expected dividend yield rate	0.00%
Risk-free interest rate	3.03%
Estimated volatility	90%

10. ACCUMULATED LOSSES

2015	2014
\$	\$

Balance as at the beginning of the period	(151,866)	-
Retained Losses of PHS at 2 May 2014	-	(113,293)
Loss for the accounting period	(1,565,305)	(38,573)
	(1,717,171)	(151,866)

11. COMMITMENTS

The Consolidated Entity has no expenditure contracted for at the reporting date but not recognised as liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2015

12. CONTINGENCIES

Contingent liabilities

Credit Cards: The Group has a contingent liability for expenses incurred on Corporate Credit cards that may not be recorded on banking statements at year end.

	2015
	\$
13. EARNINGS PER SHARE	
Net loss for the year attributable to ordinary shareholders	<u>(1,565,305)</u>
Earnings per share	
	2015
	Number
<i>Weighted average number of ordinary shares</i>	
Issued ordinary shares at 1 July	1
The subdivision of the Company's share capital prior to undertaking the Public Offer	31,933,333
Series 1 Preference Shares	1,082,740
Shares issued through ESP	315,616
Series 2 Preference Shares	<u>87,123</u>
	<u>33,418,812</u>
Earnings per share	(4.68) cents

There is no material difference between basic and diluted earnings per share

14. FINANCIAL INSTRUMENTS DISCLOSURE

The Group's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable, and accounts payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies of these financial statements, are as follows;

	2015	2014
	\$	\$
Financial assets		
Current		
Cash and cash equivalents	124,586	7,772
Trade and other receivables	<u>15,741</u>	<u>19,950</u>
	<u>140,327</u>	<u>27,722</u>
Financial liabilities		
Current		
Trade and other payables at amortised cost	<u>585,287</u>	<u>368,665</u>

Credit risk

Exposure to credit risk

The above carrying amount of the Group's financial assets represents the maximum credit exposure.

Impairment losses

The ageing of the Group's financial assets at reporting date was all due within 30 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2015

15. RELATED PARTIES

Parent entity

The Parent Entity is Paradigm Biopharmaceuticals Limited.

Controlled entities

The controlled entity is Paradigm Health Sciences Pty Ltd.

In the financial statements of the Company investments in subsidiaries are measured at cost. All entity interests held are fully paid ordinary shares or units.

Key management personnel remuneration

For details of disclosures relating to key management personnel remuneration, refer to the remuneration report contained within the Director's report.

Movement in shares

Refer to the remuneration report for details of movement in shares held directly, indirectly or beneficially by each key management person.

	2015 \$	2014 \$
16. PARENT ENTITY DISCLOSURES		
Financial information		
Total comprehensive loss for the year	<u><u>(1,572,185)</u></u>	<u><u>(10,143)</u></u>
Current Assets	<u>945,602</u>	<u>1</u>
Total Assets	<u><u>1,212,969</u></u>	<u><u>1</u></u>
Current Liabilities	<u>379,725</u>	<u>10,143</u>
Total Liabilities	<u><u>379,725</u></u>	<u><u>10,143</u></u>
Issued capital	1,666,772	1
Reserves	748,800	-
Retained profits	<u>(1,582,328)</u>	<u>(10,143)</u>
Total Equity	<u><u>833,244</u></u>	<u><u>(10,142)</u></u>

Dividends

No dividend was accrued in 2015 (2014: Nil).

Other commitments

The Company has no commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015 \$	2014 \$
17. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Loss for the year	<u>(1,565,305)</u>	<u>(38,573)</u>
Change in trade and other receivables	4,209	(19,950)
Change in prepaid capital raising costs	(597,370)	(100,158)
Change in trade and other payables	206,383	169,020
Change in share option reserve	748,800	-
Accumulated losses of PHS	-	(113,293)
Net cash used in operating activities	<u>(1,203,383)</u>	<u>(102,954)</u>

18. EVENTS SUBSEQUENT TO REPORTING DATE

On the 5 August 2015, Paradigm completed its Asset Purchase Agreement with Glycan Biosciences LLC with the final payment of \$410,228 (USD300,000).

On the 7 August 2015, having obtained conditional approval from the ASX for the admission of Paradigm to the ASX Official List and having raised \$8,000,000 as part of its Initial Public Offer, Paradigm completed the acquisition of Xosoma Pty Ltd. Paradigm now owns 100% of Xosoma Pty Ltd and the Xosoma vendors have received 19,495,238 Paradigm shares.

On the 7 August 2015, 1,235,000 Series 1 Preference Shares were converted to 7,057,143 Ordinary Shares.

On the 7 August 2015, 600,000 Series 2 Preference Shares were converted to 2,637,363 Ordinary Shares.

On the 18 August 2015, Paradigm was admitted to the ASX Official List having raised the maximum \$8,000,000 as part of its Initial Public Offer.

Other than the matters noted above, no other matters or circumstances have arisen since balance date which have impacted or are likely to impact the Consolidated Entity's operations, results and state of affairs in future financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors of Paradigm Biopharmaceuticals Limited and Controlled Entities:

- (a) the financial statements and notes thereto and the Remuneration Report contained in the Directors' Report are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2015 and their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act for the financial year ending 30 June 2015.

Signed in accordance with a resolution of the Directors.



Chairman

Dated at Melbourne, Victoria this 17th day of September 2015.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PARADIGM BIOPHARMACEUTICALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Paradigm Biopharmaceuticals Limited, which comprises the consolidated statement of financial position as at *30 June 2015*, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Paradigm Biopharmaceuticals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Paradigm Biopharmaceuticals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Paradigm Biopharmaceuticals Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



JASON CROALL
Partner

Melbourne, Victoria
Dated: 17 September 2015

SHAREHOLDER INFORMATION

Details of shares as at 03 September 2015:

Top holders

The 20 largest holders of each class of equity security as at 03 September 2015 were:

Fully paid ordinary shares

Name	No. of Shares	%
PAUL JOHN RENNIE	10,313,468	11.78
KZEE PTY LTD <KZEE SUPERANNUATION FUND A/C>	10,301,075	11.76
MJGD NOMINEES PTY LTD <BSMI A/C>	7,055,094	8.06
IRWIN BIOTECH NOMINEES PTY LTD <BIOA A/C>	6,835,313	7.80
PETER MILONAS	4,873,810	5.56
BILL PASPALIARIS	4,873,810	5.56
NANCY EDITH WILSON-GHOSH <GHOSH FAMILY A/C>	3,910,935	4.47
V REDFORD PTY LTD <REDFORD SUPER FUND A/C>	2,505,419	2.86
JGM INVESTMENT GROUP PTY LTD <MUCHNICKI FAMILY A/C>	2,285,715	2.61
GRAEME ROY KAUFMAN	2,043,000	2.33
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,959,236	2.24
TREVOR MAUNDRELL	1,072,007	1.22
KANNE HOLDINGS PTY LTD <KANNE FAMILY A/C>	1,043,592	1.19
LESLEY LODGE	824,086	0.94
TASS INVESTMENTS PTY LTD	769,231	0.88
DAVSAM PTY LTD <ROSEMAN RETIREMENT FUND A/C>	714,286	0.82
DAVID ANDREW RIDLEY	710,156	0.81
ADMIRAL RIDGE PTY LTD	653,835	0.75
MONTCLAIR PTY LTD <WASSIM GAZAL FAMILY A/C>	653,835	0.75
WAKKO INVESTMENTS PTY LTD <L&S WAKEFIELD S/F A/C>	653,835	0.75
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES	64,051,738	73.13
Total Remaining Holders Balance	23,528,482	26.87

Distribution schedules

A distribution of each class of equity security as at 31 August 2015:

Fully paid ordinary shares

Range	Total holders	Units	% of Issued Capital
1 - 100	0	0	0
101 - 1,000	0	0	0
1,001 - 10,000	186	1,351,851	1.54
10,001 - 100,000	183	6,658,487	7.6
100,001 - 500,000	60	13,729,836	15.68
500,001 - 1,000,000	11	7,660,215	8.75
1,000,001 - 9,999,999,999	13	58,179,831	66.43
Total	453	87,580,220	100

SHAREHOLDER INFORMATION

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial shareholder	Number of Shares
Paul Rennie and related companies	21,214,543
MJGD Nominees Pty Ltd	7,055,094
Irwin Biotech Nominees Pty Ltd	6,835,313
Peter Milonas	4,873,810
Bill Paspaliaris	4,873,810

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 1516 shares at 31 August 2015):

Holders	Units
1	1470

Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

Corporate Governance Statement

The Board and management of Paradigm Biopharmaceuticals Limited (**Company**) are committed to conducting the business of the Company in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) to the extent appropriate to the size and nature of the Company's operations.

This Corporate Governance Statement is accurate and up to date as at 30 June 2015 and has been approved by the Board.

Principle 1 - Lay solid foundations for management and oversight

Responsibilities and functions of the Board and Management

The Board of Paradigm Biopharmaceuticals Limited (**Company**) maintains the following responsibilities and functions:

- setting overall goals for the Company;
- approving strategies, objectives and plans for the Company's businesses to achieve these goals;
- ensuring that business risks are identified and approving systems and controls to manage those risks and monitor compliance;
- approving the Company's major human resources policies and overseeing the development strategies for senior and high performing executives;
- approving financial plans and annual budgets;
- monitoring executive management and business performance in the implementation and achievement of strategic and business objectives;
- approving key management recommendations (such as major capital expenditure, acquisitions, divestments, restructuring and funding);
- appointing and removing the Managing Director and ratifying the appointment and removal of executives reporting directly to the Managing Director (senior executives);
- reporting to shareholders on the Company's strategic direction and performance including constructive engagement in the development, execution and modification of the Company's strategies;
- overseeing the management of occupational health and safety and environmental performance;
- determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- meeting statutory and regulatory requirements and overseeing the way in which the business risks and the assets of the Company are managed.

The Board has delegated the day-to-day management of the Company to the Managing Director, CEO and other senior executives (**Management**). The Company's Management is responsible for the following:

- implementing the strategic objectives set by the Board;
- operating within the risk parameters set by the Board;
- operational and business management of the Company;
- managing the Company's reputation and operating performance in accordance parameters set by the Board;
- day-to-day running of the Company;
- providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; and
- approving capital expenditure (except acquisitions) within delegated authority levels.

Senior executives have their roles and responsibilities defined in specific position descriptions.

Director Appointment and Election

Before appointing a director, or putting forward to shareholders a director for appointment, the Company undertakes comprehensive reference checks that cover elements such as the person's character, experience, employment history, qualifications, criminal history, bankruptcy history, and disqualified officer status.

An election of directors is held each year. A director that has been appointed during the year must stand for election at the next Annual General Meeting (**AGM**). No director except the Managing Director may hold office for a period in excess of 3 years, or beyond the third annual general meeting (**AGM**) following the director's election, whichever is the longer, without submitting himself or herself for re-election. One third of all directors, except the Managing Director, will retire by rotation each year but may offer themselves for re-election for a further 3-year period.

The Company provides to shareholders for their consideration information about each candidate standing for election or re-election as a director that the Board considers necessary for shareholders to make a fully informed decision. Such information includes the person's biography, which include experience and qualifications, details of other directorships, adverse information about the person that the Board is aware of including material that may affect the person's ability to act independently on matters before the Board, and whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive directors and senior executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

Company Secretary

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors. The Company Secretary's role, in respect of matters relating to the proper functioning of the Board, includes:

- advising the Board and its Committees on governance matters;
- monitoring compliance of the Board and associated committees with policies and procedures;
- coordinating all Board business;
- retaining independent professional advisors;
- ensuring that the business at Board and committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of directors.

Diversity Policy

The Company has a diversity policy which requires the Board to set measurable objectives for achieving gender diversity and to assess the objectives and the Company's progress towards achieving them on an annual basis.

The policy aims to provide a work environment where employees have equal access to career opportunities, training and benefits. It also aims to ensure that employees are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to gender, age, ethnicity, race, cultural background, disability, religion, sexual orientation or caring responsibilities. This commitment enables the Company to attract and retain employees with the best skills and abilities.

As Board and employee positions become available, attention will be given to identifying opportunities for improving gender diversity across the organisation.

The respective proportion of women and men in the Company including its subsidiaries (**Consolidated Entity**) as at 30 June 2015 are as follows:

	Portion of women	Proportion of men
On the Board	0%	100%
Across the whole organisation	29%	71%

As no entity within the Consolidated Entity is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 on the basis that no entity employs 100 or more employees in Australia, there are no Gender Equality Indicators to be disclosed.

Performance Assessment

The Board reviews its performance annually, as well as the performance of individual Committees and individual directors (including the performance of the Chairman as Chairman of the Board). The use of an external facilitator may be utilised periodically to assist in the review process. As the company has just listed, the review for the current financial year ending on 30 June 2016 will be performed by the Chairman. The process includes collective Board discussions to capture observations for where improvements could be made and where processes worked well, individual interviews with each director conducted by the Chairman, and provision of anonymous feedback collected from individual Board members. The review of the Chairman's role will be conducted by the Chair of the Audit and Risk Committee after obtaining feedback from each individual director.

The Board conducts an annual performance assessment of the CEO against agreed performance measures determined at the start of the year. The CEO undertakes the same assessments of senior executives. In assessing the performance of the individual, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the Company.

The CEO provides a report to the Board on the performance of senior executives together with remuneration recommendations which must be approved by the Board after consultation with the Nomination and Remuneration Committee. The review of senior executives in accordance with this process will be undertaken for financial year ending 30 June 2016.

Principle 2 - Structure the board to add value

Nomination and Remuneration Committee

The Board maintains a combined Nomination and Remuneration Committee, whose members during the financial year were as follows:

Names	Position	Independence status
Graeme Kaufman	Chairman & Non-Executive Director	Yes
Paul Rennie	Managing and Executive Director	No
Christopher Fullerton	Non-Executive Director	Yes
John Gaffney	Non-Executive Director	Yes

During the period ending 30 June 2015, the Company complies with the ASX recommendation to have a Nomination and Remuneration Committee with a majority of independent directors.

The Nomination and Remuneration Committee met once during the year.

Skills Matrix

The Board regularly evaluates the mix of its skills, experience and diversity. The Board considers that collectively its directors have a level of skill, knowledge and experience that enables the Board to effectively discharge its responsibilities and duties (including the activities and industries outlined below). The mix of skills the Board is seeking to maintain, and to build upon, includes:

- Finance and Tax (e.g. financial management capability including accounting or related financial management qualifications);
- Research and development;
- Executive leadership ;
- Pharmaceutical and Medical Devices;
- Biomedical science;
- Risk management understanding and experience;
- Commercial acumen;
- Product development; and
- Strategic capabilities.

The Company does not have a formal induction or professional development program for directors. To date, such programs have been considered unnecessary as the current Board has satisfactory experience and skill set.

Consideration will be given to implementing such programs should it be proposed that any new directors join the Board.

Composition of the Board

The Board assesses annually the independence of each director to ensure that those designated as independent do not have any alliance to the interests of Management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and its security holders generally.

Details of the Board of directors, their appointment dates, and independence status is as follows:

Names	Position	Independence status	Tenure
Graeme Kaufman	Chairman & Non-Executive Director	Yes	02 May 2014 to current
Paul Rennie	Managing and Executive Director	No	02 May 2014 to current
Christopher Fullerton	Non-Executive Director	Yes	30 September 2014 to current
John Gaffney	Non-Executive Director	Yes	30 September 2014 to current

Graeme Kaufman is Non-Executive Chair of the Board and is considered to be an independent director of the Company. Paul Rennie is the Managing Director and Chief Executive Officer.

Principle 3 - Act ethically and responsibly

Code of Conduct

The Company maintains a code of conduct for its directors, senior executives and employees. In summary, the code requires the following of each relevant person:

- act honestly, in good faith and in the best interests of the Company as a whole;
- exercise a duty to use care and diligence in fulfilling the functions of office or position and exercising the powers attached to that office or position;
- use the powers of office for a proper purpose and in the best interests of the Company as a whole;
- recognise that the primary responsibility is to the Company as a whole but may, where appropriate, have regard for the interest of other stakeholders of the Company;
- not to make improper use of information acquired as a director or employee;
- not take improper advantage of their position as a member of the Board or employee;
- properly manage and declare any conflict of interest with the Company;
- directors to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board;
- confidential information received in the course of the exercise of their duties remains the property of the Company and, unless appropriate authority granted, it is improper to disclose it, or allow it to be disclosed;
- not to engage in conduct likely to affect the reputation of Company; and
- to comply with the spirit, as well as the letter, of the law and with the principles of this Code.

Principle 4 - Safeguard integrity in corporate reporting

Audit and Risk Committee

The Board has an Audit and Risk Committee consisting of 3 independent directors of the Board. At the date of this Corporate Governance Statement, it comprises Christopher Fullerton, John Gaffney and Graeme Kaufman,

Details of each member's qualifications and experience is detailed in the 'Information of directors' section of the Company's annual report.

The Charter of the Committee is available at the Company's website. It provides details in relation to its role, confers on it all necessary powers to perform that role, and explains how the Committee achieves its main objectives, which are to carry out the following functions:

- reporting of financial information to users of financial reports, in particular the quality and reliability of such information;
- assessing the consistency of disclosures in the financial statements with other disclosures made by the Company to the financial markets, governmental and other public bodies;
- review and application of accounting policies;
- financial management;
- review of internal and external audit reports to ensure that where weaknesses in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- evaluation of the Company's compliance and risk management structure and procedures, internal controls and ethical standards;
- review of business policies and practices;
- conduct of any investigation relating to financial matters, records or accounts, and reporting those matters to the Board;
- protection of the Company's assets;
- compliance with applicable laws, regulations, standards and best practice guidelines; and
- review of the Company's corporate governance policy.

Financial Reporting

In relation to the financial statements for the financial year ended 30 June 2015 and the period ended 31 March 2015, the Company's CEO and CFO have provided the Board with declarations, that in their opinion:

- the financial records of the Company have been properly maintained;
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company; and
- has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External Auditor

The engagement partner for the Company's audit attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

Principle 5 - Make timely balanced disclosure

Listing Rule 3.1 requires a listed entity, subject to certain exceptions, to disclose to ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. The Company is committed to providing the market with complete and timely information about disclosure events in compliance with its continuous disclosure obligations and the *Corporations Act 2001 (Cth)*.

The Company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the Company's disclosure obligations. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately, in the first instance, so that appropriate analysis and internal consultation can be conducted. Legal advice may also be sought internally or from the Company's external counsel.

The Company Secretary is required to consult with the CEO in relation to matters brought to his or her attention for potential announcement. Where the matter is urgent and the CEO is not contactable, the Chairman is contacted. Where the Chairman is not contactable, the Company Secretary may decide whether an announcement is made, or whether a trading halt is warranted.

Generally, the CEO is ultimately responsible for decisions relating to the making of market announcements. The Company Secretary is responsible for ensuring that the Board is aware of items of business that could result in an announcement. The Board is required to authorise announcements of significance to the Company such as significant acquisitions, disposals and closures, material profit upgrades or downgrades, dividend declarations and buybacks, and any other transaction flagged by the Chairman as being fundamentally significant.

The Company Secretary is responsible for advising when announcements are not required due to either circumstances such as where the information relates to matters of supposition or is insufficiently definite, it concerns an incomplete proposal or negotiation, the information is confidential or would represent a breach of law if disclosed, and where a reasonable person would not expect the disclosure of the information.

No member of the Company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

Principle 6 - Respect the rights of security shareholders

The Company maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the Company's website.

In order for the investors to gain a greater understanding of the Company's business, governance practices, financial performance and future prospects, the Company schedules interactions during the year where it engages with institutional and private investors, analysts and the financial media.

Meetings and discussions with analysts must be approved by the CEO and are generally conducted by the CEO/ Managing Director. The discussions are restricted to explanations of information already within the market or which deal with non-price sensitive information. These meetings are not held within a four week blackout period in advance of the release of interim or full-year results.

Shareholder Participation and Correspondence

The Company encourages shareholders to attend the Company's AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to.

The 2015 Notice of AGM will be provided to all shareholders and made available on the Company's website.

The external auditor is required to attend the AGM of the Company and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company engages its share registry to manage the majority of communications with shareholders.

Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders.

Principle 7 - Recognise and Manage Risk

The Board maintains a combined Audit and Risk Committee. The members of the Committee are detailed in Principle 4 above. The Company has complied with the ASX recommendation of having an Audit and Risk Committee made up of at least three members, all of whom are non-executive directors and a majority of whom are independent directors.

The Charter of the Committee is available at the Company's website. The charter outlines the Committee's responsibilities which include procedures for general risk oversight and monitoring, internal control and risk management, risk transfer and insurance and other responsibilities. The key aspects of the charter follow.

The Committee assists the Board by providing independent and objective review, advice and assistance in developing Board policy and monitoring corporate activity within the scope of its remit, making recommendations to the Board for resolution, and assisting the Board understand risks which may:

- impede the Company from achieving its goals and objectives;
- impact on the Company's performance;
- affect the health, safety or welfare of employees, visitors and others in relation to the Company's operations;
- threaten compliance with the Company's regulatory and legal obligations;
- impact on the community and the environment in which the Company operates;
- impact on the Company's reputation, or that of its people; and
- result in personal liability for Company officers arising from the Company's operations.

Its responsibilities include review of the following elements:

- Company risk appetite and risk tolerance, as determined by the Board across the Company and within specific operational segments;
- the likelihood of occurrence, severity of impact, and any mitigating measures affecting those risks;
- responsibility for risk oversight and management of specific risks to ensure a common understanding of accountabilities and roles;
- procedures for periodic and critical reporting of matters to the Board and the risk committee;
- communication of risk management policies and strategies throughout the Company to ensure it is embedded as part of the Company's corporate culture;
- internal communication and control systems to encourage the timely flow of risk-related information to personnel;
- reports from management, external auditors, internal auditors, legal counsel, regulators, and consultants as appropriate, regarding risks the Company faces and the Company's Management of those risks;
- assessment of the internal processes for determining and managing key risk areas, with particular focus on compliance with laws, regulations, standards and best practice guidelines, important judgments and accounting estimates, litigation and claims, and fraud and theft;
- assessment of effectiveness of the internal controls, risk management and performance management systems after consultation with Management and the internal and external auditors;
- assessment of effectiveness of, and compliance with, the corporate code of ethical conduct and compliance with internal plans, policies and procedures;
- obtaining regular updates from Management and Company lawyers about compliance matters;
- ensuring the chief executive officer (or equivalent) and the chief financial officer (or equivalent) are reasonably able to state that their declarations under section 295A of the Corporations Act 2001 relating to financial statements and reports of the Company are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects, in relation to the financial reporting risks;
- how certain risks of the Company have been mitigated by risk transfer strategies;
- the scope, adequacy and cost of the Company's insurance arrangements;
- ensure appropriate corporate governance is in place within the scope of its remit; and
- confirm annually that all responsibilities outlined in this charter have been carried out.

The Audit and Risk Committee reviews the Company's risk management framework at least annually to ensure that it is still suitable to the Company's operations and objectives and that the Company is operating within the risk parameters set by the Board. As the company has just listed, a review will be undertaken for the year ending 30 June 2016.

Internal Audit

The internal audit function is to provide an independent assessment of risk and compliance with internal controls. The results of internal audits are reported to senior management and to the Audit and Risk Committee on a regular basis. In addition, processes have been put in place to ensure that appropriate follow up actions are taken in relation to significant audit findings and identified areas of risk.

External Audit

The Board and management need to ensure that the statutory auditor is both independent and seen to be independent. The purpose of an independent statutory audit is to provide shareholders and investors with reliable and clear financial reports on which to base investment decisions.

Economic, Environmental and Social Sustainability Risks

The Company has no material exposure to environmental or social sustainability risks.

As the Company's main activity is clinically developing its lead product, it still operates at clinical trial levels. Accordingly, the Board is of the view that the Company, as with other companies at such a stage of development, is subject to exposure for economic sustainability, including the risk that its clinical trials may not be successful or become too expensive to conclude.

The Directors believe that the Company has adequate systems in place to monitor the costs, risks and progress of its trials to manage those economic sustainability risks as they apply to the Company. For further information on the Company's risk management framework, refer to the above Principle 7 responses.

Principle 8 - Remunerate fairly and responsibly

The Board maintains a combined Nomination and Remuneration Committee. The members of the Committee are detailed in the Principle 2 commentary above. The Company complies with the ASX recommendation to have a Nomination and Remuneration Committee with a majority of independent directors. The independence of the Nomination and Remuneration Committee is subject to continual evaluation. .

Details of the qualifications and experience of the members of the Committee are found in the Directors' report within the annual report.

The Remuneration Committee oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees.

The Charter of the Committee is available at the Company's website. The Committee's charter sets out the roles and responsibilities, composition and structure of the Committee.

In summary, the charter provides for the committee to monitor and advise upon the following matters:

- the Company's remuneration structure including long term incentives and superannuation arrangements;
- remuneration and incentives of the Board, CEO and Company Secretary;
- performance and remuneration of senior management;
- remuneration strategies, practices and disclosures generally;
- workplace health and safety;
- workplace diversity;
- employee share payment plans;
- recruitment, retention and termination strategies;
- management succession, capability and talent development; and
- the Remuneration Report, contained within the Directors' report.

When considered necessary, the Committee may obtain external advice from independent consultants in determining the Company's remuneration practices including remuneration levels.

Remuneration of non-executive directors is determined in maximum aggregate by the shareholders, and is allocated by the Board on the recommendation of the Remuneration Committee.

Executive directors and other senior executives are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates having regard to the individual's performance and responsibilities. Performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives. Share options and rights are aligned to longer term performance hurdles. Termination payments are detailed in individual contracts and payable on early termination with the exclusion of termination in the event of misconduct.

Further details in relation to the Company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

Employee Share Plan

The Company has an employee share plan with accompanying limited recourse loan made available to certain employees. Details of this plan can be found in the Company's annual report.

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