Pinnacle Listed Practical Interim Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Paradigm Biopharmaceuticals Limited
ABN:	94 169 346 963
Reporting period:	31 December 2021
Previous reporting period:	31 December 2020

2. Results for announcement to the market

	$	**$ and % increase/(decrease) over previous corresponding period**
Revenue from continuing activities	749,966	495,492 194.71%
(Loss) from continuing activities after tax attributable to members	(26,985,037)	6,254,542 30.17%
Net (loss) for the period attributable to members	(27,011,851)	6,281,356 30.30%
Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final Dividend	N/A	N/A
Interim Dividend	N/A	N/A
Record date for determining entitlements to the dividends (if any)	N/A	

2. Results for announcement to the market continued

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:
Paradigm Biopharmaceuticals is a late-stage clinical development company with a phase 3 asset under development for treatment of osteoarthritis. In the absence of partnering milestone income or material revenue contributions, profit before tax loses can be expected in the future, as the company continues to incur further Clinical, Regulatory and Commercial expenses to continue the development of Zilosul, a potential blockbuster treatment for osteoarthritis.
During the six months to 31 December 2021, Paradigm Biopharmaceuticals committed significant resources to progressing its clinical program for the development of injectable Pentosan Polysulfate Sodium (iPPS). The Company successfully opened an Investigational New Drug (IND) Phase 3 trial (PARA_OA_002) for treatment of pain and function of knee osteoarthritis. A phase 2 study for MPS VI commenced in Brazil, iPPS presents as the first possible drug therapy targeted specifically at complications associated with MPS including pain and arthropathy in the MPS-VI patient population. Toxicity studies for ongoing chronic (including covering repeat treatment) dosing toxicity studies in both adult and juvenile rats and dogs continued during the period. Our investment in pipeline assets continue with milestones achieved for early-stage research in Acute Respiratory Distress Syndrome (ARDS) and Heart Failure. In terms of Commercial development, some important market research was completed to inform Paradigm about market access for Zilosul, including information on reimbursed pricing in key markets.

3. Net tangible assets

	Current Period	Previous corresponding period
Basic loss per ordinary security (cents per share)	(11.8) cents	(9.1) cents
Diluted loss per ordinary security (cents per share)	(11.8) cents	(9.1) cents
Net tangible asset backing per ordinary security (cents per share)	21.51 cents	37.75 cents

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

Paradigm Biopharmaceuticals Limited
Appendix 4D
Half Year report

6. Audit qualification or review

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been reviewed	✓	The accounts are in the process of being reviewed	
If the accounts are subject to audit dispute or qualification, a description of the dispute or qualification: N/A			

7. Attachments

The report of half year ended 31 December 2021 is attached.

8. Signed

Signed _____

Mr. Paul Rennie
Chairman
24th February 2022

PARADIGM
BIOPHARMA

Unlocking new potential

Half-Year Report
31 December 2021

ABN 94 169 346 963

Contents

General Information

The financial statements cover Paradigm Biopharmaceuticals Limited as a Consolidated entity, consisting of Paradigm Biopharmaceuticals Limited and its controlled entities (together referred to as the 'Consolidated entity') at the end of the half-year ended 31 December 2021. The financial statements are presented in Australian dollars, which is Paradigm Biopharmaceuticals Limited's functional and presentation currency.

Paradigm Biopharmaceuticals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. A description of the nature of the Consolidated Entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 24 February 2022.

Highlights

Paradigm Biopharmaceuticals Limited (PAR) is a global biopharmaceutical company driven to improve patients' lives through repurposing existing drugs and pioneering new solutions for unmet medical needs.

We take an existing approved drug, which has demonstrated safety in its approved indications

We repurpose that drug in a new patented therapeutic application with high unmet need

We reduce the time, cost and risk associated with drug development

Market research

$2,500 to $3,000 USD

Market research confirms a reimbursed price for Zilosul of $2,000 to $3,000 USD per course is achievable in the US market for pain and function indication.

Phase 2 study

Positive interim data from the phase 2 study in MPS 1 presented to international experts at the ICIEM Conference in November 2021.

Trials commenced

Paradigm commenced two new clinical trials in the 6 months to December 2021, MPS 6 a phase 2 study and PARA_OA_002 a phase 3 trial.

IND for osteoarthritis cleared by the US FDA.

First subject dosed in PARA_OA_002.

Osteoarthritis Update

The Multiple Mechanisms of Actions of PPS

Pentosan Polysulfate Sodium (**PPS**) is a highly sulfated sulphated polysaccharide demonstrating multiple mechanisms of action.

The multiple actions of PPS are mediated by targeting both NF-kB-dependent and NF-kB independent pathways (Figure 1).

The activation of the transcription factor NF-kB is involved in key pathological processes in both acute and chronic diseases. Figure 1 illustrates the actions of PPS, which is an inhibitor of NF-kB. A number of peer-reviewed scientific publications have confirmed that PPS binds to NF-kB and prevents the translocation of NF-kB into the nucleus of the cell where NF-kB initiates the expression of genes that lead to the inflammatory cascade.

The inhibition of NF-kB by PPS, results in the regulation of pathological processes involved in inflammation mediated by transcription of inflammatory cytokines; pain through the production of nerve growth factor (**NGF**); adverse tissue remodelling or tissue degradation through the increased levels of enzymes such as ADAMTS4 and 5; and vascular inflammation and dysfunction through the induction of cell adhesion molecules.

In addition to targeting NF-kB directly, PPS can also act in an NF-kB independent manner.

Examples of NF-kB independent effects of PPS include:

- PPS acting as a direct enzyme inhibitor of ADAMTS-4 and ADAMTS-5 (Troeberg et al., 2012[1]).
- PPS as a direct inhibitor of NGF gene expression (Stapledon et al., 2019[2]).
- Its anti-thrombotic properties, which improve vascular perfusion (Ghosh and Cheras, 2001[3]).
- Its tissue regenerative properties, by directly increasing the production of hyaluronic acid, which is degraded in osteoarthritic joints and other tissues including the myocardium in heart failure (Verbruggen and Veys, 1992[4]) (Francis et al., 1993[5]).

The key message is that the multiple mechanisms of actions of PPS regulate disease processes such as inflammation, pain, adverse tissue remodelling and vascular dysfunction that are common to many acute and chronic medical indications.

Therefore, PPS has a substantial advantage in yielding clinically meaningful outcomes compared to pharmaceutical agents with mono-specific actions which target single disease pathways.

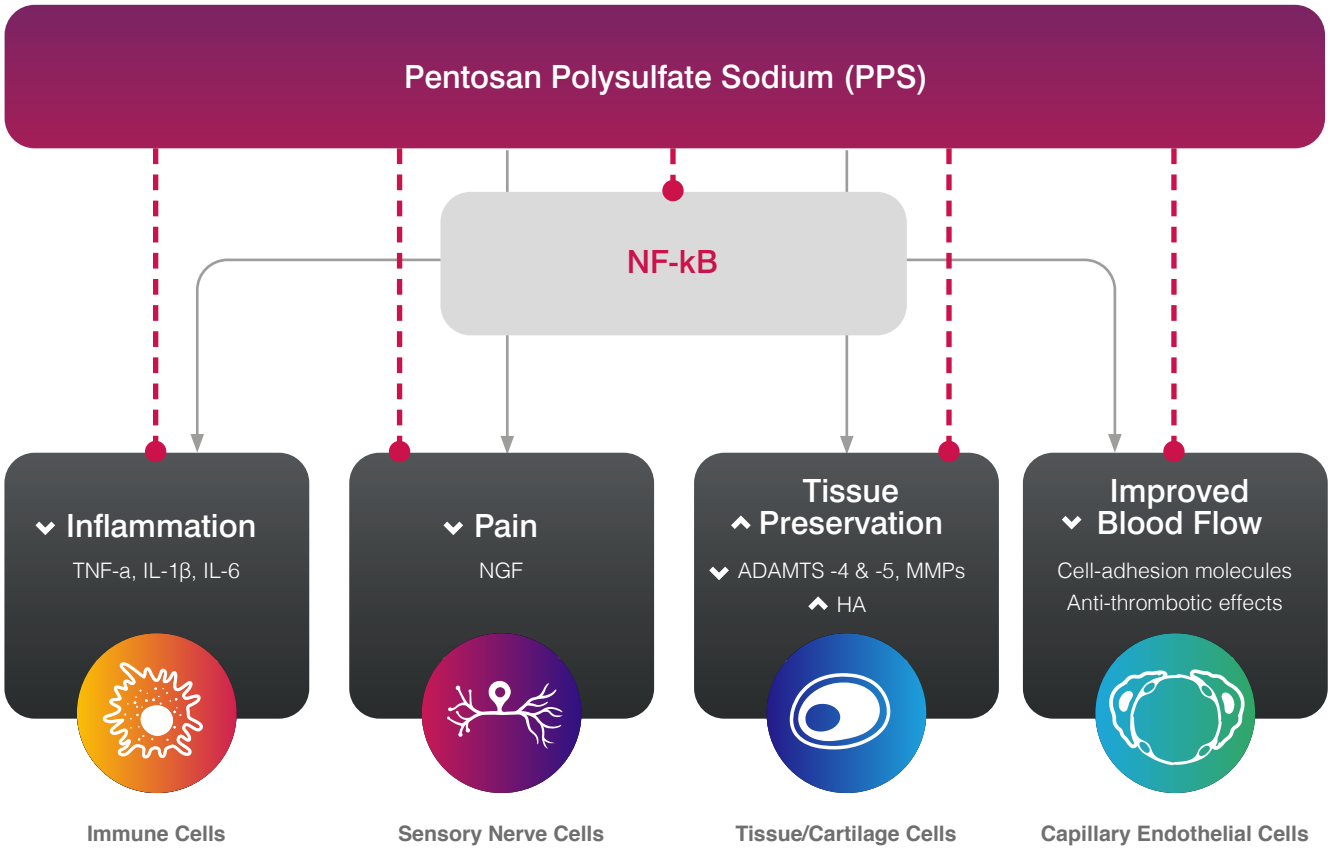

Figure 1. The multiple NF-kB-dependent and NF-kB-independent mechanisms of action of PPS.

About the R&D Pipeline

The multiple mechanisms of action of PPS allow the repurposing of PPS across a number of acute and chronic medical indications such as acute respiratory distress syndrome (**ARDS**); heart failure and alpha virus-induced arthralgia.

Paradigm's approach has been to obtain robust scientific data using preclinical proof-of-concept animal disease models to support the mechanisms of action of PPS, which target specific disease indications.

In viral induced ARDS, PPS actions involve targeting the inflammatory response via anti-inflammatory effects mediated by the inhibition of NF-kB (Sunaga et al., 2012[6])(Bwalya et al., 2017[7]).

In heart failure, PPS actions involve targeting ADAMTS-4 present in myocardial tissues which causes adverse tissue remodelling; as well as inflammation and vascular endothelial cell activation which affect cardiac function (Vistnes et al., 20148).

In alpha viral-induced arthritis, where examples are Ross River virus and Chikungunya virus and PPS actions involve targeting inflammation and pain (Herrero et al., 2015[9])(Krishnan et al., 2021[10]) (Rudd et al., 2021[11]).

In summary, the multiple mechanisms of action of PPS provide the rationale for the use of PPS in treating other medical indications beyond OA and MPS.

References

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Directors' Report

The Directors present their report, together with the financial statements, on the Consolidated entity consisting of Paradigm Biopharmaceuticals Limited (Paradigm or the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were Directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Paul Rennie
John Gaffney
Donna Skerrett
Amos Meltzer
Helen Fisher

Principal Activities

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

Results

The Consolidated entity made a loss for the six-month period ended 31 December 2021 of $26,985,037 (31 December 2020: Loss of $20,730,495).

Review of Operations

On the 30 September 2021, Paradigm announced the first patient dosed in the MPS 6 trial. The study is designed to enrol patients with MPS-6 who are currently receiving Enzyme Replacement Therapy (**ERT**) and exhibit pain and functional deficiency due to musculoskeletal symptoms associated with the underlying disease. Participants will continue to receive ERT through the study. Subjects will be administered PPS or placebo at a 1.5mg/kg (≥9 years of age) or 1.0mg/kg (<9 years of age) subcutaneous injection once weekly for 24 weeks.

Pentosan Polysulfate Sodium (**PPS**) presents the first possible drug therapy targeted specifically at complications associated with MPS including pain and arthropathy in the MPS-6 patient population. As individuals treated with ERT continue to experience pain and other symptoms that impact quality of life (**QOL**), PPS is being investigated for use as an adjunctive treatment to ERT to alleviate progressive arthropathy via the multiple actions of PPS on disease-modifying pathways.

On the 3 November 2021, Paradigm announced that the Investigational New Drug (**IND**) application for osteoarthritis was cleared by the US Federal Drug Administration (**FDA**), allowing Paradigm to commence its phase 3 trial evaluating injectable PPS for the treatment of pain associated with knee osteoarthritis.

On the 8 November 2021, Paradigm announced outcomes from market access research on Zilosul's target product profile in key NH markets. The research, undertaken by global market research firm Clarivate, shows that the target product profile (**TPP**) for pain and function would (assuming sustained efficacy and robust safety data) provide high treatment value for knee osteoarthritis (**kOA**) by covering some important unmet needs by providing an alternative treatment to reduce pain and improve function for kOA patients.

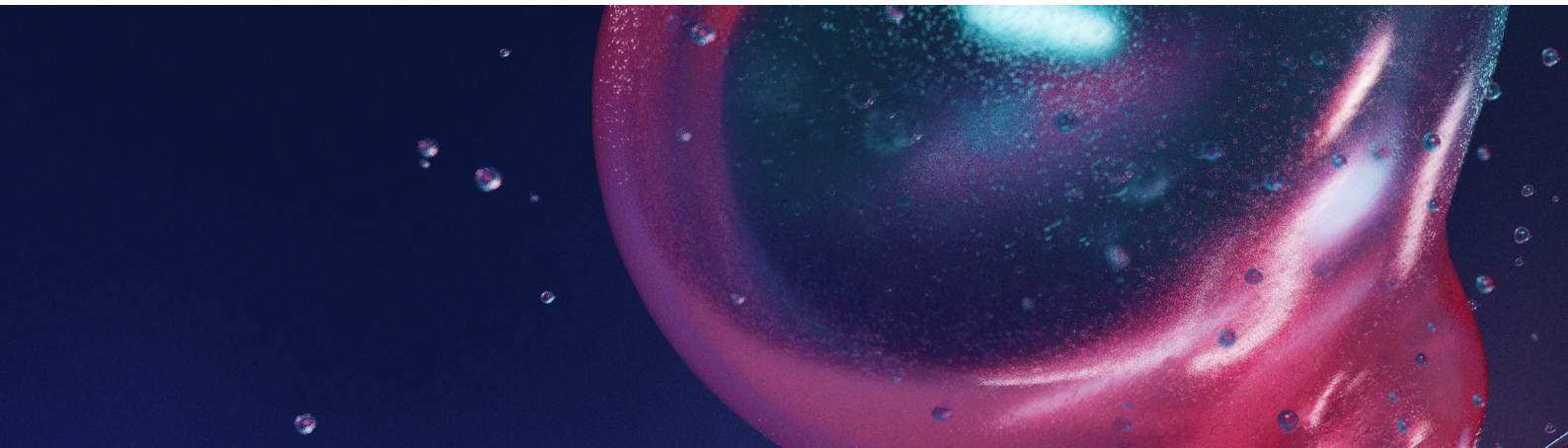
Physicians contacted as part of the research indicated Zilosul was likely to be a second line therapy for treating pain and function associated with kOA. Feedback from payer's included in the research indicated a reimbursed price in the US market of USD$2,000 to $3,000 per course, was achievable for a pain and function label.

The results from this market research validates Paradigm's earlier estimates of US$2,500 per course for Zilosul is achievable. The research also confirms Paradigms clinical program which includes studies to confirm duration of effect and retreatment are important studies that will provide data for reimbursement in key markets. Importantly the research also indicated potential for a higher price and a move to a first line therapy for Zilosul if disease modification can be attained.

On the 22 November, Paradigm announced Paul Rennie had stepped down as CEO & Managing Director of Paradigm and will become Non-Executive Chairman of Paradigm. Dr Donna Skerrett, Paradigm's Chief Medical Officer, is announced as interim CEO. A global search for a permanent CEO is well progressed.

On the 23 November, Paradigm announced positive Interim data for MPS at the International Congress of inborn Errors of Metabolism (**ICIEM**). The study at the Adelaide Women's and Children's Hospital has enrolled 3 patients who are over halfway through their 48-week treatment regime. The data shows that PPS has been well tolerated by the subjects and has resulted in improvements in 2 and 6 minute walk tests, improved range of motion and improvements in other activities important to daily function of patients.

On the 16 December, Paradigm released top line summary date of its PPS proof-of-concept heart failure model. The findings of the pilot study were encouraging and delivered promising data to support the mechanism of action (**MoA**) of PPS as an inhibitor of ADAMTS enzymes, relieving heart failure.



In terms of financial performance, Paradigm recorded a loss before tax of $26,985,037, an increase on prior year loss before tax of $6,254,542. Paradigm Biopharmaceuticals is a late-stage clinical development company with a phase 3 asset under development for treatment of osteoarthritis. In the absence of partnering milestone income or material revenue contributions, profit before tax loses can be expected in the future, as the company continues to incur further Clinical, Regulatory and Commercial expenses to continue the development of Zilosul, a potential blockbuster treatment for osteoarthritis.

Paradigm has recorded revenue for the 6 months to December 2021 of $45,200, this is linked to sales associated with the Therapeutic Goods Administration (**TGA**) Special Access Scheme (**SAS**). Revenue from SAS will continue to be modest as product allocation for this program remains limited.

The increase in loss before tax compared to prior corresponding period of $6,254,542 is mainly driven by research and development costs. The two main drivers of the increase in spend relate to Pre-Clinical and Clinical activity. The Pre-Clinical impact relates to the continued ongoing chronic (including covering repeat treatment) dosing toxicity studies in both adult and juvenile rats and dogs. These studies are required for New Drug Application (**NDA**) process. Paradigm are working on completing these studies concurrently with clinical studies in MPS and OA. These studies are multiyear studies that are being undertaken now to ensure these studies and data from it are understood to de-risk the NDA process. These toxicity studies are a one-time study that can be used for other iPPS assets involving subcutaneous delivery (within existing dosing regimes of our clinical programs).

The other area of the business where activity increased compared to prior period was within Clinical Development. With the PARA_OA_002 phase 3 study receiving Regulatory approval by the Australian TGA and US FDA in the 6 months to December 2021 there was a ramp up of activity in terms of establishing:

- critical infrastructure to support the trial including local and centralized systems to manage the many data points required for monitoring of the trial,
- tendering and then contracting the set-up of 10 central laboratories which is essential to support the logistics and operational requirements of our testing regime to support the trial,
- commence operationalizing of clinical trial sites in Australia and the US including contracting, local ethics approval, training, materials and supplies for the trial and system set up, training and data integration,

In addition to these costs, there were also increased activity in our MPS I and MPS VI phase 2 studies with both studies operational for the full 6 months to December 2021. Sites are established in Australia and Brazil to run these 2 studies where subject enrolment and dosing is ongoing.

Other income is higher for the 6 months to December 2021 mainly due to revaluations of USD on hand. Commercial expenses for the period also increased, this is primarily due to market access research associated with our commercial development of Zilosul.

In the second half of fiscal year 2022 Paradigm expects Clinical Development costs to continue to progress for PARA_OA_002 as site activation increases across the US and recruitment of subjects in both Australia and US increases. In addition to these costs, we'd anticipate expenditure related to establish Regulatory approvals in the UK and Europe to PARA_OA_002 and some set up costs for the PARA_OA_006 duration of effect study.

Significant changes in the state of affairs

On the 10 September 2021, Paradigm offered shares under its Employee Share Scheme (**ESP**). The invitation to participate in the ESP was for 2,700,000 shares at an issue price of $2.41 per share, the strike price was set at a 25% premium to the 30 day VWAP. The shares will vest in equal amounts of 900,000 shares in 12 months, 24 months, and 36 months.

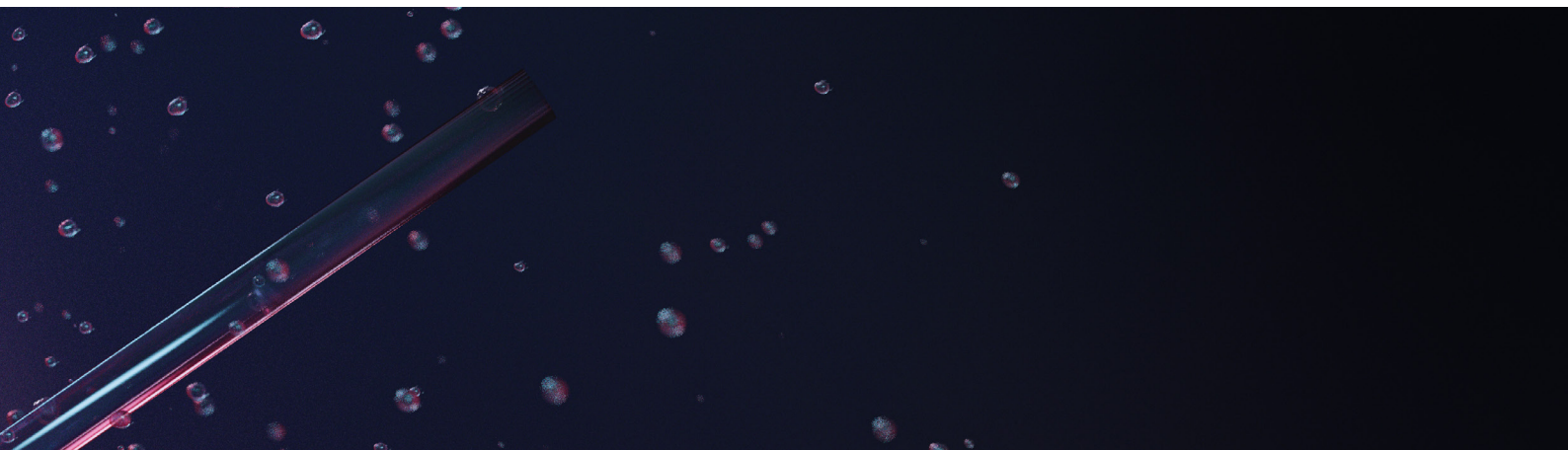
Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of Directors, pursuant to Section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Mr Paul Rennie
Chairman
24 February 2022



Auditor's Independence Declaration

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Paradigm Biopharmaceuticals Limited for the half year ended 31 December 2021, 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS

R J MORILLO MALDONADO
Partner

24 February 2022
Melbourne, Victoria

Consolidated Interim Financial Statements

Contents

Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2021

	Notes	31 December 2021 $	31 December 2020 $
Revenue from continuing operations		45,200	-
Cost of sales		(70,647)	-
Other income	2	704,766	254,475
Research and development expenses		(23,449,532)	(17,195,123)
General and administration expenses		(3,780,668)	(3,651,532)
Commercial expenses		(419,794)	(119,482)
Finance costs		(14,362)	(18,833)
Loss before income tax		**(26,985,037)**	**(20,730,495)**
Income tax expense/(benefit)		-	-
Loss for the half-year		**(26,985,037)**	**(20,730,495)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(26,814)	-
Other comprehensive income for the half-year, net of tax		**(26,814)**	**-**
Total comprehensive (loss) attributable to members of the Consolidated entity		**(27,011,851)**	**(20,730,495)**
Loss per share (cents)			
Basic and diluted (loss) per share	10	(11.8) cents	(9.1) cents

The above consolidated interim statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Interim Statement of Financial Position

as at 31 December 2021

	Notes	31 December 2021 $	30 June 2021 $
ASSETS			
Current assets			
Cash and cash equivalents	3	54,984,064	71,034,983
Trade and other receivables	4	7,155,798	8,507,640
Prepaid expenses		1,693,222	1,388,748
Financial assets held at amortised cost		46,200	46,200
Total current assets		**63,879,284**	**80,977,571**
Non-current assets			
Intangible assets	5	2,947,588	2,947,588
Plant and equipment		76,435	92,696
Right-of-use assets	6	591,102	671,709
Security deposits receivable		-	102,616
Total non-current assets		**3,615,125**	**3,814,609**
Total assets		**67,494,409**	**84,792,180**
LIABILITIES			
Current liabilities			
Trade and other payables	7	13,326,200	4,986,440
Employee benefits		491,285	672,404
Lease liabilities		143,569	134,616
Total current liabilities		**13,961,054**	**5,793,460**
Non-current liabilities			
Employee benefits		71,952	108,209
Lease liabilities		451,097	525,372
Make good provision		90,628	91,853
Total non-current liabilities		**613,677**	**725,434**
Total liabilities		**14,574,731**	**6,518,894**
Net assets		**52,919,678**	**78,273,286**
EQUITY			
Issued capital	8	147,068,972	146,989,484
Share-based payments reserve	9	7,637,274	6,453,995
Currency translation reserve		31,220	58,034
Accumulated losses		(101,817,788)	(75,228,227)
Total equity		**52,919,678**	**78,273,286**

The above consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Interim Statement of Changes in Equity

for the half-year ended 31 December 2021

	Issued Capital $	Share Option Reserve $	Accumulated Losses $	Currency Translation Reserve $	Total $
Balance at 1 July 2020	145,865,076	3,585,189	(41,268,546)	-	108,181,719
Loss for the period	-	-	(20,730,495)	-	(20,730,495)
Total Comprehensive income/(loss) for the half-year	-	-	(20,730,495)	-	(20,730,495)
Transactions with owners in their capacity as owners:					
Fair value of shares issued to eligible employees under the plan	-	1,351,819	-	-	1,351,819
Transfer from share-based payments reserve on exercise of options	-	(162,637)	162,637	-	-
Shares issued relating to repayment of limited recourse loan for ESP	103,675			-	103,675
Exercise of unlisted options	542,170	-	-	-	542,170
Balance at 31 December 2020	**146,510,921**	**4,774,371**	**(61,836,404)**	**-**	**89,448,888**
Balance at 1 July 2021	**146,989,484**	**6,453,995**	**(75,228,227)**	**58,034**	**78,273,286**
Loss for the period	-	-	(26,985,037)	-	(26,985,037)
Other comprehensive income/(loss)	-	-	-	(26,814)	(26,814)
Total Comprehensive income/(loss) for the half-year	-	-	(26,985,037)	(26,814)	(27,011,851)
Transactions with owners in their capacity as owners:					
Fair value of shares issued to eligible employees under the plan	-	1,578,755	-	-	1,578,755
ESP lapsed in the period	-	(335,705)	335,705	-	-
Transfer from share-based payments reserve on exercise of options	-	(59,771)	59,771	-	-
Shares issued relating to repayment of limited recourse loan for ESP	79,488	-	-	-	79,488
Balance at 31 December 2021	**147,068,972**	**7,637,274**	**(101,817,788)**	**31,220**	**52,919,678**

The above consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Interim Statement of Cash Flows

for the half-year ended 31 December 2021

	Note	31 December 2021 $	31 December 2020 $
Cash flows from operating activities			
Research and development and other tax incentive received		1,314,282	50,000
Revenue from continuing operations		54,750	-
Payments to suppliers and employees (inclusive of GST)		(18,117,223)	(19,541,798)
Interest received		34,086	229,392
Interest repayment of lease liabilities		(14,362)	(18,833)
Net cash outflow from operating activities	11	**(16,728,467)**	**(19,281,239)**
Cash flows from investing activities			
Payments for intangible assets		-	(850)
Payments for equipment		-	(20,130)
Net cash outflow from investing activities		**-**	**(20,980)**
Cash flows from financing activities			
Proceeds from exercise of share options		-	542,170
Payment of share issue costs		-	-
Limited recourse loan repaid under ESP		79,488	103,675
Principal repayment of lease liabilities		(66,547)	(59,446)
Net cash inflow from financing activities		**12,941**	**586,399**
Net decrease in cash and cash equivalents		**(16,715,526)**	**(18,715,821)**
Cash and cash equivalents at the beginning of the financial period		**71,034,983**	**103,922,241**
Effects of exchange rate changes on cash and cash equivalents		**664,607**	**-**
Cash and cash equivalents at the end of the financial period		**54,984,064**	**85,206,420**

The above consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Financial Statements

31 December 2021

1. Significant Accounting Policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Annual Report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or Amending Accounting Standards and Interpretations Adopted

The Consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are mandatory for the current reporting period.

Any new or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. Other Income

	31 December 2021 $	31 December 2020 $
Interest received	40,160	204,475
ATO Cashflow boost payment	-	50,000
Realised gains	664,606	-
	704,766	**254,475**

3. Cash and Cash Equivalents

	31 December 2021 $	30 June 2021 $
Cash on hand	10	10
Cash at bank	54,797,847	70,884,973
Cash on deposit	186,207	150,000
	54,984,064	**71,034,983**

4. Trade and Other Receivables

	31 December 2021 $	30 June 2021 $
GST receivable	60,207	94,290
Interest receivable	6,751	678
R&D tax incentive receivable	7,077,840	8,392,122
Trade receivables	11,000	20,550
	7,155,798	**8,507,640**

5. Intangible Assets

	31 December 2021 $	30 June 2021 $
Patents	9,926,366	9,926,366
Less: accumulated amortisation and impairment losses	(6,978,778)	(6,978,778)
Total intangible assets	**2,947,588**	**2,947,588**
Reconciliation		
Carrying amount at the beginning of the period	2,947,588	2,947,588
Additions during the period	-	850
Amortisation expense	-	(850)
Balance at the end of the financial year	**2,947,588**	**2,947,588**

6. Right-of-use Assets

	31 December 2021 $	30 June 2021 $
Land and buildings – right-of-use	967,258	967,258
Less: Accumulated depreciation	(376,156)	(295,549)
	591,102	**671,709**

7. Trade and Other Payables

	31 December 2021 $	30 June 2021 $
Trade creditors	4,328,598	2,973,357
Accruals and other creditors	8,997,602	2,013,083
	13,326,200	**4,986,440**

Other creditors include payroll tax payable, superannuation payable, bonus payable and PAYG withheld tax payable.

8. Issued Capital

	31 December 2021 Number of Shares	30 June 2021 Number of Shares	31 December 2021 $	30 June 2021 $
Ordinary shares – fully paid	**232,305,798**	**229,905,798**	**147,068,972**	**146,989,484**

Movements in ordinary share capital

Details	**Shares**	**$**
Balance as at 1 July 2021	229,905,798	146,989,484
Shares issued under ESP	2,700,000	-
ESP shares lapsed in the period	(300,000)	-
Limited recourse loan repaid under ESP	-	79,488
Balance as at 31 December 2021	**232,305,798**	**147,068,972**

Notes to Financial Statements

31 December 2021
continued

9. Share-based Payment Reserve

	31 December 2021 $	30 June 2021 $
Balance as at the beginning of the period	6,453,995	3,585,189
Fair values of shares issued/to be issued to eligible employees under the ESP	1,578,755	3,206,309
ESP options lapsed in the period	(335,705)	-
Transfer from share reserve on exercise of options	(59,771)	(337,503)
	7,637,274	**6,453,995**

Once an offer of shares under the Employee Share Plan (**ESP**) is approved by the Board, monies are loaned by the Consolidated entity interest free and on a non-recourse basis to employees to finance the purchase of shares in the Company. The ESP shares are registered in the name of participants. Shares offered under the ESP are subject to a 3 year vesting period where the shares will vest in 3 equal amounts. The shares are subject to a restriction on disposal for a period of 5 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.

On 10 September 2021, an invitation of ESP shares of 2,700,000 based on financial year 2021 performance was approved and issued at a price of $2.41 per share. These shares were issued with vesting conditions. Each tranche of shares will vest in 12 months, 24 months and 36 months.

Fair values at loan date are determined using a Binomial Hedley 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.

ESP Shares	Grant date	Vesting condition	Number
September 2021	10/09/2021	900,000 shares are vested on 10 September 2022, 900,000 shares are vested on 10 September 2023 and 900,000 shares are vested on 10 September 2024	2,700,000

31 December 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
7/11/2019	7/11/2024	$2.93	2,791,146	-	(240,000)	-	2,551,146
10/07/2020	10/07/2025	$3.24	2,215,000	-	-	(300,000)	1,915,000
19/11/2020	19/11/2025	$3.05	1,100,000	-	-	-	1,100,000
10/09/2021	10/09/2026	$2.41	-	2,700,000	-	-	2,700,000
			6,106,146	**2,700,000**	**(240,000)**	**(300,000)**	**8,266,146**

30 June 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
7/11/2019	7/11/2024	$2.93	2,913,518	-	(175,000)	52,628	2,791,146
10/07/2020	10/07/2025	$3.24	-	2,215,000	-	-	2,215,000
19/11/2020	19/11/2025	$3.05	-	1,100,000	-	-	1,100,000
			2,913,518	**3,315,000**	**(175,000)**	**52,628**	**6,106,146**

For the ESP granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follow:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free rate	Fair value at grant date
10/09/2021	10/09/2026	$1.93	$2.41	75.00%	0.00%	0.65%	$0.99

UNLISTED OPTIONS

31 December 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
24/03/2020	24/03/2023	$1.75	550,000	-	-	550,000
28/02/2020	28/02/2023	$1.75	275,000	-	-	275,000
			825,000	**-**	**-**	**825,000**

30 June 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
24/03/2020	24/03/2023	$1.75	550,000	-	-	550,000
28/02/2020	28/02/2023	$1.75	275,000	-	-	275,000
			825,000	**-**	**-**	**825,000**

10. Loss Per Share

	31 December 2021	31 December 2020
Net loss for the period attributable to ordinary shareholders	(26,985,037)	(20,730,495)
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	231,279,568	227,745,785
Weighted average number of ordinary shares used in calculation diluted loss per share	**231,279,568**	**227,745,785**
	Cents	Cents
Basic loss per share	(11.8)	(9.1)
Diluted loss per share	(11.8)	(9.1)

825,000 unexercised options (Period ended 31 December 2020: 1,561,250) have been excluded from the calculation of the diluted loss per share above as it would have an anti-dilutive impact.

Notes to Financial Statements

31 December 2021
continued

11. Reconciliation of Cash Flows Provided by Operating Activities

	31 December 2021	31 December 2020
Loss for the half-year	**(26,985,037)**	**(20,730,495)**
Depreciation and amortisation	96,868	103,183
Foreign exchange unrealised losses	(691,421)	
Share-based payment	1,578,755	1,351,819
Change in operating assets and liabilities		
(Increase)/decrease in trade receivables	1,460,531	(12,964)
(Increase)/decrease in other receivables	(6,073)	24,917
(Increase) in other assets	(304,474)	(1,716,579)
Decrease in payables	7,905,008	1,585,383
Decrease in provisions	217,376	113,497
Net cash used in operating activities	**(16,728,467)**	**(19,281,239)**

12. Contingent Liabilities

The Consolidated entity had no contingent liabilities as the reporting date (30 June 2021: nil).

13. Events Subsequent to Reporting Date

The impact of the Coronavirus (**COVID-19**) pandemic is ongoing for the Consolidated Entity up to 31 December 2021. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Consolidated entity's operations, the results of those operations, or the Consolidated entity's state of affairs in future financial years.

Directors' Declaration

31 December 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to Section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Mr Paul Rennie
Chairman
24 February 2022

Independent Auditor's Review Report

31 December 2021

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

Conclusion

We have reviewed the accompanying half-year financial report of Paradigm Biopharmaceuticals Limited ('the Company') and the entities it controlled during the period (together 'the Consolidated entity'), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Paradigm Biopharmaceuticals Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* ('ASRE 2410'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 review report.

Directors' Responsibility for the Half-Year Financial Report

The directors of Paradigm Biopharmaceuticals Limited are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

RSM AUSTRALIA PARTNERS

R J MORILLO MALDONADO
Partner

24 February 2022
Melbourne, Victoria

Corporate Directory

Directors

Mr Paul Rennie
Managing & Executive Director

Dr Donna Skerrett
Executive Director
(Appointed on 3 July 2020)

Mr John Gaffney
Non-Executive Director

Mr Amos Meltzer
Non-Executive Director
(Appointed on 9 December 2020)

Ms Helen Fisher
Non-Executive Director
(Appointed on 23 February 2021)

Company Secretary

Mr Kevin Hollingsworth

Principal Place of Business

Level 15, 500 Collins Street
Melbourne VIC 3000

Registered Office

Level 15, 500 Collins Street
Melbourne VIC 3000

Auditor

RSM Australia Partners
Level 21, 55 Collins Street
Melbourne VIC 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

Bankers

Commonwealth Bank
Level 20, Tower One
Collins Square
727 Collins Street
Melbourne VIC 3008

Stock Exchange

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

ASX Code: **PAR**

Website

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