ASX RELEASE 27th AUGUST 2021

2021 Annual Report and Appendix 4E

Paradigm Biopharmaceuticals Ltd (ASX: PAR) ("Paradigm" or "the Company"), is pleased to present to shareholders the 2021 Annual Report.

As approved by the Board of Paradigm Biopharmaceuticals Ltd, and in accordance with ASX Listing Rule 4.3A, please find attached Appendix 4E and 2021 Annual Report.

To accompany the Chief Executive Officer's report, Mr Paul Rennie has provided a video detailing key operational highlights achieved by the Company in financial year 2021.

The video can be accessed through the Paradigm website via the following link:
https://paradigmbiopharma.com/investors/annual-reports/

Authorised for lodgement by:

Paul Rennie
Interim Chair

To learn more please visit: www.paradigmbiopharma.com

FOR FURTHER INFORMATION PLEASE CONTACT:
Simon White
Director of Investor Relations
Tel: +61 (0) 404 216 467
Paradigm Biopharmaceuticals Ltd
ABN: 94 169 346 963
Level 15, 500 Collins St, Melbourne, VIC, 3000, AUSTRALIA
Email: investorrelations@paradigmbiopharma.com

APPENDIX 4E
Preliminary Final Report to the Australian Stock Exchange

Name of Entity	Paradigm Biopharmaceuticals Limited
ABN	(ABN 94 169 346 963)
Year Ended	30 June 2021
Previous Corresponding Reporting Period	01 July 2019 to 30 June 2020

1. Results for Announcement to the Market

		$	**$ and % increase/(decrease) over previous corresponding period**
Revenue from continuing activities		8,941,647	4,246,153 90.43%
(Loss) from continuing activities after tax attributable to members		(34,297,184)	21,998,297 178.86%
Net (loss) for the period attributable to members		(34,297,184)	21,998,297 178.86%
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		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood: N/A			

2. Key ratios

	Current Period	**Previous corresponding period**
Basic earnings per ordinary security (cents per share)	(16.74) cents	(6.12) cents
Diluted earnings per ordinary security (cents per share)	(16.74) cents	(6.12) cents
Net tangible asset backing per ordinary security (cents per share)	32.76 cents	46.82 cents

3. Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	N/A
Date control gained	N/A
Profit / (loss) from ordinary activities after tax of the controlled entity since the date in the current period on which control was acquired.	N/A
Profit / (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period.	N/A

4. Audit/Review Status

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

5. Attachments Forming Part of Appendix 4E

The Annual Report of Paradigm Biopharmaceuticals Limited for the year ended 30 June 2021 is attached.

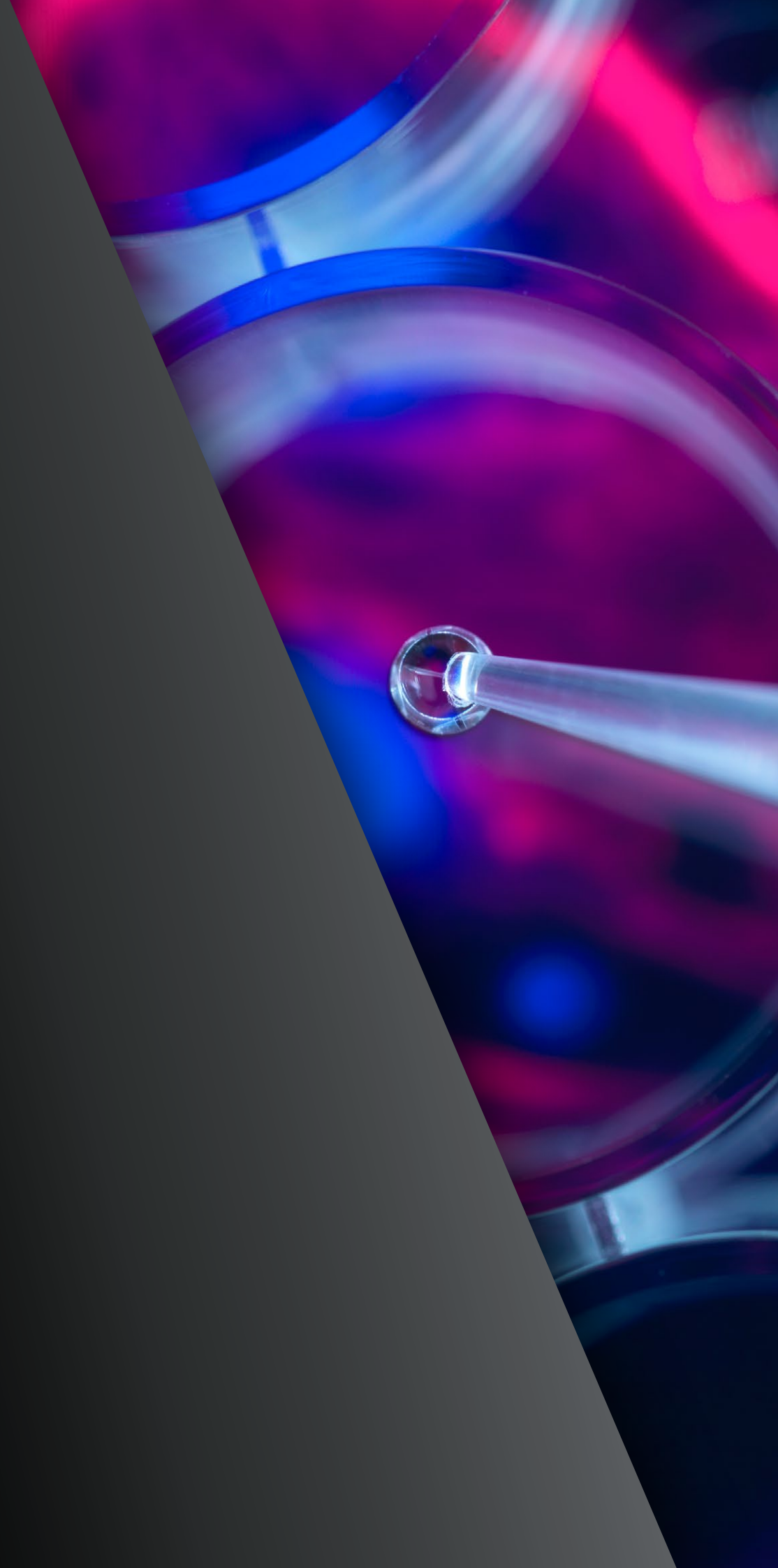
6. Signed

Signed in accordance with a resolution of the Directors.

Signed 

Date: 26 August 2021
Paul Rennie
Interim Chair

PARADIGM
BIOPHARMA



Unlocking new potential

Annual Report
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 the entities it controlled at the end of, or during the year. 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 as part of the Financial Statements.

The Financial Statements were authorised for issue, in accordance with a resolution of Directors, on 26 August 2021. The Directors have the power to amend and reissue the Financial Statements.

Highlights

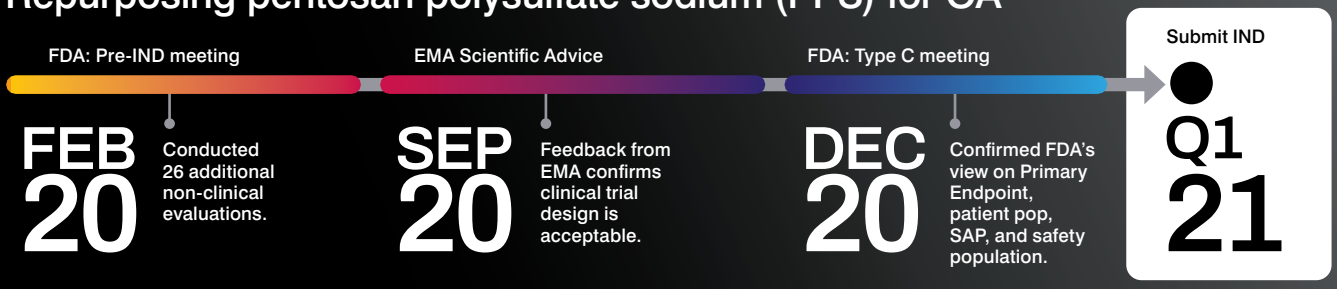
We take an existing approved drug, which has demonstrated safety in its approved indications

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

Paradigm Biopharmaceuticals is a drug repurposing company. Our approach to market is driven by core competencies and experience at both board and executive level in clinical and commercial pharmaceutical development.

Repurposing pentosan polysulfate sodium (PPS) for OA



Studies

30+

Studies completed or commenced across the preclinical and clinical program for PPS development pipeline in FY21

PPS Indications

7

Number of potential PPS indications currently being explored for development

Chairman's Report

Paul Rennie

Interim Chair

We engaged key opinion leaders and industry experts to work alongside our in-house teams to enhance success in advancing the programs.

Dear Shareholders,

I am pleased to present the 2021 Annual Report for Paradigm Biopharmaceuticals Limited.

Paradigm Biopharmaceuticals is a global Australian-based pharmaceutical company focused on repurposing existing molecules to meet high unmet medical needs. Paradigm's purpose is to develop and commercialise pentosan polysulfate sodium (PPS) for the treatment of arthralgia driven by injury, inflammation, aging, degenerative disease, infection, or genetics.

The immediate commercial focus is the repurposing of the historic drug pentosan polysulfate sodium (PPS or brand name Zilosul®) for the treatment of pain associated with osteoarthritis (OA). This is a global unmet need and Paradigm has advanced towards phase 3 trials for this indication. There is strong scientific evidence that the drug PPS addresses all aspects of the disease: inflammation, pain, and cartilage preservation, suggesting PPS has OA disease modifying potential.

Other indications include the treatment of pain and arthropathy and other disease complications in patients with the rare genetic disorder mucopolysaccharidoses (MPS); treating alphavirus induced arthralgia (in patients with Ross River virus and Chikungunya); chronic heart failure (CHF) and potentially acute respiratory distress syndrome (ARDS).

I am pleased to report that the company has continued to progress the development of Zilosul® for the treatment of pain associated with osteoarthritis by submitting an IND (Investigational New Drug) application with the US FDA in March 2021. The IND submission was the result of many years of substantial work by the entire Paradigm team as well as several meetings with key regulatory agencies the FDA, EMA and TGA to develop a clinical protocol acceptable for registration by these regulators.

As at the date of this annual report the FDA has reviewed the IND submission and has one remaining question of the 6 that it initially raised in response to the Company's IND submission. Paradigm will respond to the FDA by the end of August 2021 and intends to commence the global pivotal trial before the end of CY2021.

In addition to pursuing the phase 3 trial, we continue to progress development of Zilosul® with the commencement of the PARA_OA_008 study in Australia. This study seeks to evaluate molecular biomarkers in the synovial fluid of the knee joint to demonstrate the mechanism of action and OA disease modifying potential of Zilosul® on the diseased joint. The biomarker analysis aims to provide key scientific evidence about the local activity of Zilosul® in the knee joint of OA subjects. The biomarkers analysis will include an analysis of inflammatory cytokines, pain mediator nerve growth factor (NGF), cartilage degrading enzymes, and products of cartilage degradation. Additionally, clinical, and radiographic assessments will be obtained.

In addition to the progress being made in the clinical development program for osteoarthritis, development of PPS for MPS (where Paradigm has orphan status for MPS I and MPS VI) continues with two major milestones achieved in FY21.

In November 2020 we announced that, the first patient was dosed in a Phase II study in Adelaide, South Australia evaluating the safety and efficacy of PPS on pain and functional symptoms in MPS type I patients who have received ERT and/or haemopoietic stem cell transplantation (HSCT).

In June 2021, the company announced it had received approval from the ANVISA, the Brazilian regulator, to commence a Phase II study in Brazil to evaluate the safety, tolerability, and effect of PPS on pain, function, and glycosaminoglycan (GAG) levels in patients with MPS type VI. Brazil has the highest concentration of MPS type VI sufferers globally.

Much of the investment in FY21 was focused on identifying and then meeting the requirements of the regulatory pathways for clinical development for the lead programs. Infrastructure and organisational support were strengthened for current and upcoming clinical trial activities. We engaged key opinion leaders and industry experts to work alongside our in-house teams to enhance success in advancing the programs. Investment will continue as we progress with both the global clinical pivotal program, and projects to optimise commercial and partnering attractiveness for Zilosul®.

40%

Female representation on the Board

Q1 21

IND submission for global pivotal trial

During FY21 Paradigm welcomed Non-Executive Directors Ms. Helen Fisher and Mr. Amos Meltzer and Executive Director Dr Donna Skerrett to the Board. Ms. Fisher, previously a Tax Partner at Deloitte, Mr. Meltzer who has a background in science and commercialisation and is an intellectual property lawyer, and Dr Skerrett, who has three decades of experience in clinical research and development, bring a wealth of experience to Paradigm. These appointments improve the composition of the board in terms of independence, gender diversity and will contribute to the success of Paradigm into the future.

I would like to thank our shareholders for their continued support of Paradigm and the journey we are undertaking. I would also like to thank the staff at Paradigm for their dedication, contributions, and achievements in FY21.

On behalf of the Directors,

Paul Rennie
Interim Chair
Melbourne, Victoria
26 August 2021

Chief Executive's Report

Dear Shareholders,

I am pleased to report on the progress made by Paradigm Biopharmaceuticals Limited and its controlled entities (Paradigm) during the past 12 months.

Paradigm's business plan is centred around repurposing PPS for new indications with unmet medical needs. We believe repurposing existing molecules provides a competitive advantage in the drug development process, because it leads to a shorter and less capital-intensive development cycle, compared to new chemical entities, which will benefit patients and shareholders alike. In addition to efforts to repurpose PPS, Paradigm has begun evaluating other repurposing candidates to include in its development pipeline.

During FY21 Paradigm has made great progress in building the organisation to support a successful clinical program for our lead candidate Zilosul® for the treatment of pain associated with osteoarthritis in knee and hip joints, as well as MPS types I and VI. Paradigm has negotiated several strategic agreements throughout the year with a large range of service providers to help drive our clinical program.

Paradigm's strategic relationship with bene pharmaChem (bene, the only FDA approved manufacturer of PPS) was further strengthened during the year in two principal respects. First, under an updated supply agreement Paradigm's exclusive supply of PPS from bene has been extended for 25 years post marketing approval. Paradigm has secured supply for all major pharmaceutical markets (except Japan). Second, under a collaboration agreement, Paradigm and bene are to jointly explore new formulations and indications where PPS may provide a solution for unmet medical needs, further strengthening our new product development opportunities. These updated agreements are strategically important for strengthening Paradigm's ability to commercialise PPS.

During the year we took several steps to continue to build our organisation to support commercialising Zilosul®, these include:

- Incorporating a US entity. This was an important step for the company in our journey to support a clinical program for Zilosul®. Several strategic roles in our Clinical and Safety functions now reside in the US and we plan to add further resources as we progress our clinical efforts to commercialisation of PPS. Dr. Donna Skerrett, Paradigm's Chief Medical Officer, heads the clinical team; newly appointed Dr. Mukesh Ahuja is in the role of Global Clinical Head of OA and Dr. Michael Imperiale is Global Head of Drug Safety and MPS.
- Development of a Commercial function – with the company approaching a Phase 3 trial for Zilosul® it is important for the organisation to begin executing on its strategy for commercialisation. We are pursuing several key initiatives including conducting research developing a delivery mechanism to improve patient convenience, and conducting global positioning, patient convenience, pricing, and reimbursement research to inform our path to commercialisation and partnership for PPS.
- Submitted the IND application with the US FDA. The IND submission is proceeding, and the Company is planning to submit its full response to the final FDA question within the current month (August 2021).
- Conducted 26 preclinical studies, focusing primarily on the toxicological effects of injectable PPS, to support the osteoarthritis IND submission with GLP studies applicable to the Zilosul® route of administration.
- Ethics Approval for Pivotal Phase 3 clinical trial (PARA_OA_002) has been put in place. Paradigm has ethics approval from the institutional ethics committee in the US and is finalising approval with the Australian ethics committee for its pivotal study in knee osteoarthritis. Subject to ethics approval the pivotal phase 3 clinical trial is planned to commence in Australia in Q4 CY 2021.
- Commenced the synovial fluid biomarker clinical trial (PARA_OA_008). The study is designed to generate clinical and biomarker data to assist the Company's discussion with the TGA and to support the application for provisional approval of Zilosul® in Australia.
- Orphan drug indication for Mucopolysaccharidosis type VI (MPS VI): Regulatory approval was received from Brazil's National Health Surveillance Agency (Agência Nacional de Vigilância Sanitária (ANVISA)) and ethics approval from the National Research Ethics Commission (Comissão Nacional de Ética em Pesquisa (CONEP)) for a Phase 2 clinical trial evaluating safety and tolerability of PPS versus placebo in subjects with MPS VI. This will be the largest clinical trial conducted using PPS in any MPS subjects. During the past year Paradigm also initiated a Phase 2 clinical trial in MPS I subjects in Australia. Paradigm's MPS program has received Orphan Drug Designation status in the US and EU for MPS I and MPS VI.
- Ongoing research and development – The Company has made preclinical progress with PPS in two new indications, heart failure and acute respiratory distress syndrome (ARDS). Top line results of that research are expected to be available in Q4 CY2021.
- First Company Revenue – Paradigm was able to achieve its first revenue from the sale of Zilosul® by implementing pay-for-use provision of product via the Therapeutic Good Administration (TGA) Special Access Scheme (SAS). This was a great achievement for the company and represents a collaborative approach to support the provision of Zilosul® to patients who have exhausted other options for the treatment of arthralgia. Product sales are expected to be modest because Paradigm is rationing product available for SAS to prioritise product supply for the pivotal clinical trial program. However, SAS does provide an option for patients who are not eligible to participate in Paradigm's clinical trials to access therapy under the guidance of their physician.

- Company Rebranding – In January 2021 Paradigm successfully rebranded at the JP Morgan Healthcare conference. Central to this rebrand is the focus on repurposing or re-pioneering molecules. PPS is our lead candidate, however, under the updated strategy, Paradigm is seeking to broaden its focus to other molecules with potential to treat patients suffering from diseases with high unmet need.
- Integration of internal People and Culture, Safety and Finance functions to ensure the organisation is suitably structured to support our short- and long- term goals. Establishing a People and Culture function supported the creation of a leadership team and reporting structures, review of policies and procedures, optimised resourcing and developing culture and values. A dedicated Global Safety function demonstrates patient safety is important as we progress the clinical program for Zilosul®. Finally, an in-house Finance team will help to improve delivery on strategy within budgets and ensures a renewed focus on controls and back-office processes.
- Establishing Company values – Over our journey at Paradigm, our focus has been on scientific endeavors. This year we reflected on who we are, how we work together and how we will continue to build the organisation into the future. This led to our company values being created:
  - Innovation – We challenge conventional wisdom and pursue continuous improvement.
  - Accountability – Our people take individual ownership and accountability for their actions, accept responsibility for them and disclose their results in a transparent manner.
  - Transparency – Our people are honest open and direct in all conversations.
  - Collaboration – We multiply our contribution through collaboration. As a team, we are stronger and accomplish more than what is possible individually.
  - Respect – We treat any people we engage with dignity and respect. We respect the thoughts and contributions of our people and respect each other as individuals. We recognise and reward efforts and contributions.
  - Adaptable – We are flexible and adaptable to changing situations within or outside of our control.

The achievements of FY21 are important in our journey as a company and help set a strong foundation for Paradigm to grow. There have been many achievements during FY21, and we look forward to continuing to achieve significant progress over the next 18 – 24 months, a pivotal period for Paradigm. We remain focused on progressing our Phase 3 OA clinical program and other pipeline indications to bring PPS to market to improve pain and mobility for the millions of people who suffer from arthralgia driven by injury, inflammation, aging, degenerative disease, infection, or genetic predisposition. In what has been at times a challenging year with the interruptions that COVID-19 has presented to all the Company's programs, I'd like to thank our dedicated staff for the progress and achievements they have made throughout FY21. The Company is well placed to continue the development of PPS for treatment of osteoarthritis and other conditions.

Paul Rennie
Chief Executive Officer

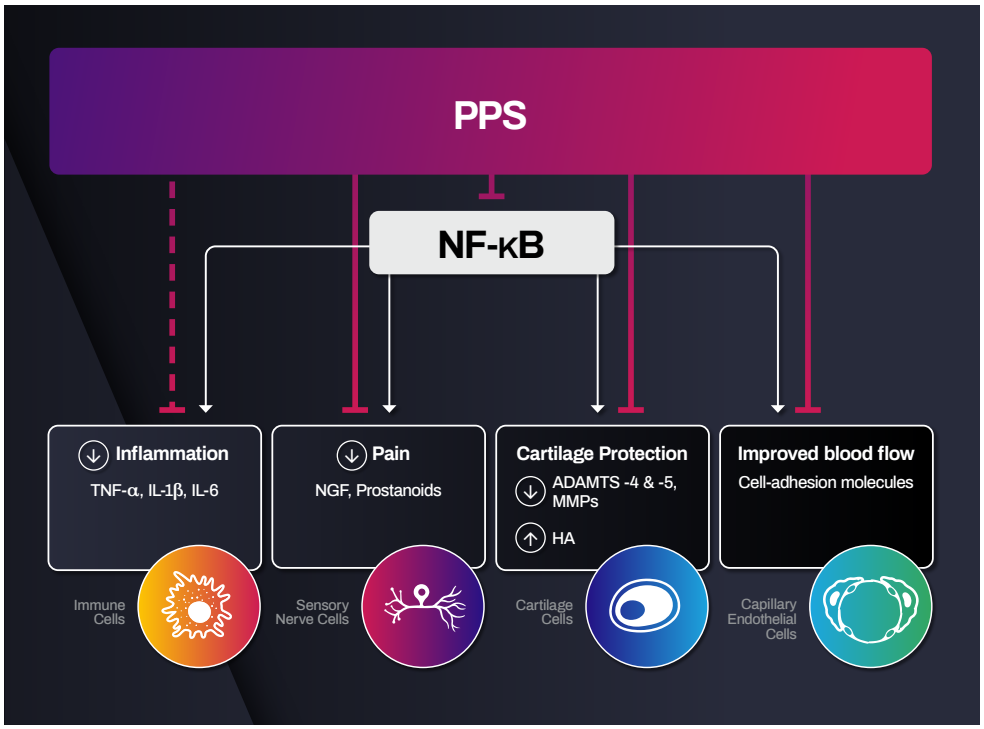
During FY21 Paradigm has made great progress in building the organisation to support a successful clinical program for our leading candidate Zilosul®.

Osteoarthritis Overview

PPS Mode of Action in Osteoarthritis

Pentosan polysulfate sodium (PPS) has a mode of action that indicates activity on multiple disease pathways in osteoarthritis including inflammation, pain, cartilage erosion and impaired blood flow in tissues beneath the cartilage.

Literature suggests that PPS may be a potential treatment for OA as it has been shown to exert anti-inflammatory activity by blocking the effects of proinflammatory cytokines, such as TNF- and IL-1 associated with OA[1]; inhibit the expression of NGF, a pain mediator, in osteocytes in subchondral bone[2]; and inhibit cartilage degrading enzymes known to play a key role in OA disease progression[3]; and mild anti-thrombotic effects which act to improve blood flow in subchondral bone[4] which is thought to help reduce the size of bone marrow lesions (PARA_005). Paradigm is working with bene pharmaChem to further understand and describe the mechanisms of action of PPS.



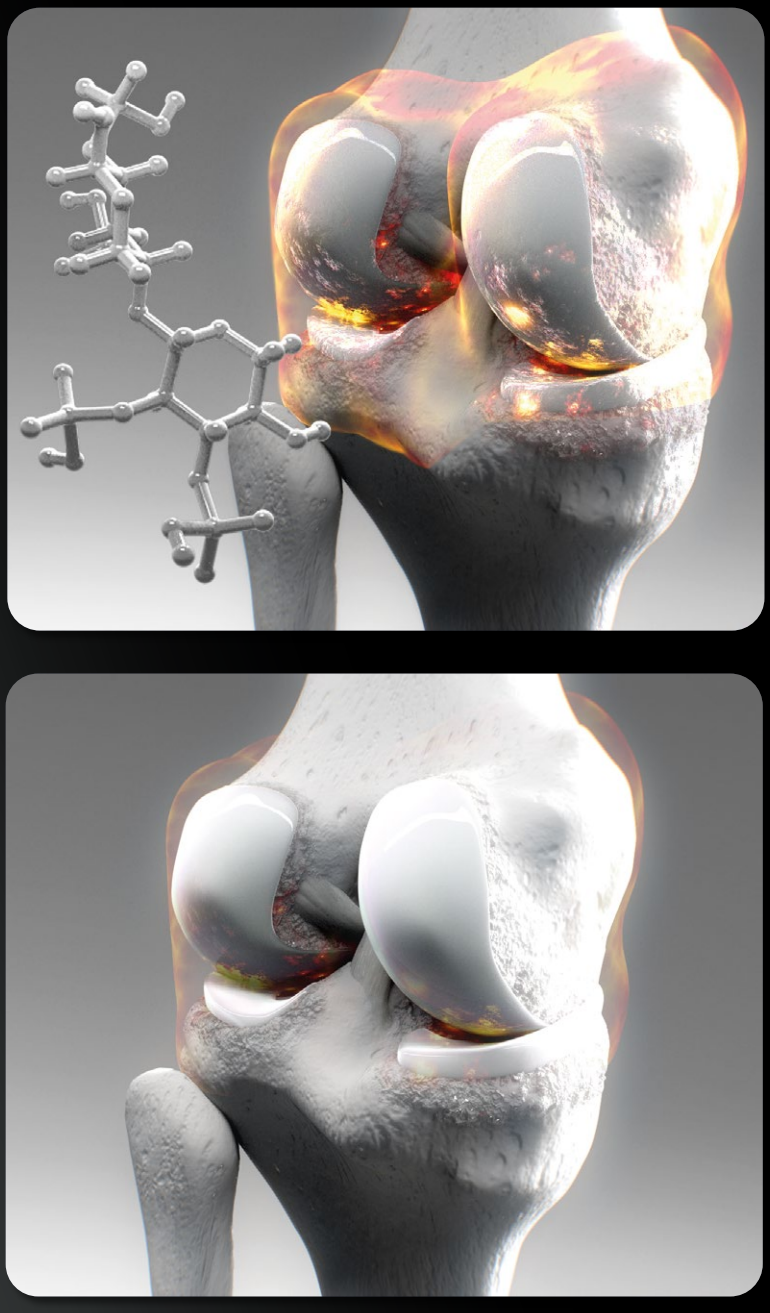
1. Sunaga T, Oh N, Hosoya K, et al. Inhibitory Effects of Pentosan Polysulfate Sodium on MAP-Kinase Pathway and NF-κB Nuclear Translocation in Canine Chondrocytes In Vitro. Journal of Veterinary Medical Science. 2012;74:707–711.

2. Stapledon CJM, Tsangari H, Solomon LB, et al. Human osteocyte expression of Nerve Growth Factor: The effect of Pentosan Polysulphate Sodium (PPS) and implications for pain associated with knee osteoarthritis. Heymann D, editor. PLoS ONE [Internet]. 2019;14:e0222602. doi:10.1371/journal.pone.0222602.

3. Troeberg L, Mulloy B, Ghosh P, et al. Pentosan polysulfate increases affinity between ADAMTS-5 and TIMP-3 through formation of an electrostatically driven trimolecular complex. Biochem J [Internet]. 2012;443:307–315. doi:10.1042/BJ20112159.

4. Kutlar A, Ataga KI, McMahon L, et al. A potent oral P-selectin blocking agent improves microcirculatory blood flow and a marker of endothelial cell injury in patients with sickle cell disease. Am J Hematol [Internet]. 2012;87:536–539. doi:10.1002/ajh.23147.

Proposed effects of PPS on OA – currently under investigation



Paradigm is partnered with bene pharmaChem to further understand and describe the mechanisms of action of PPS.

Osteoarthritis Overview
continued

Market Potential

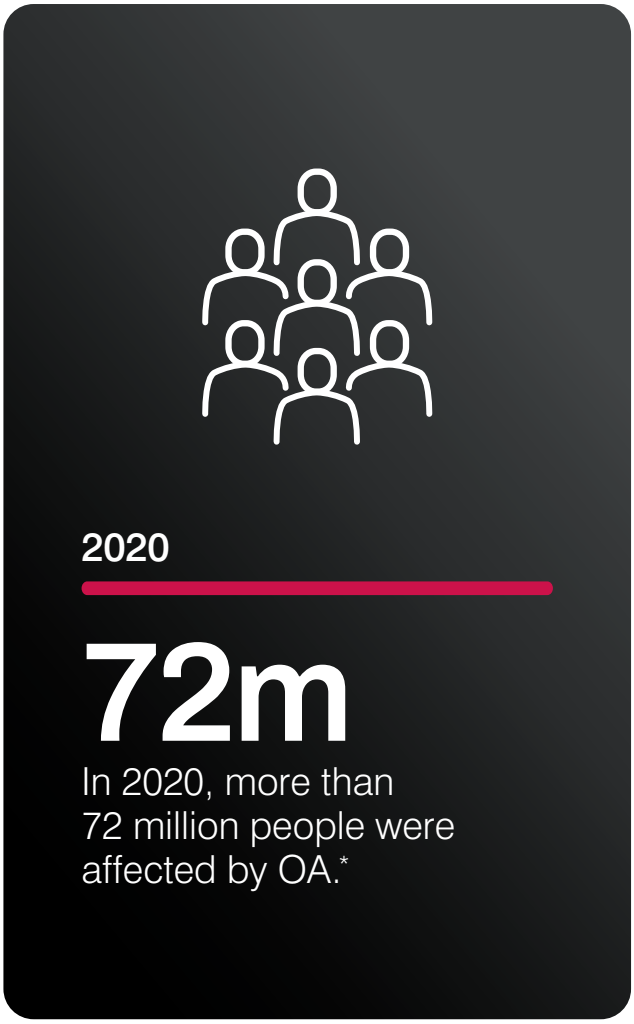
Osteoarthritis (OA) is the most prevalent form of joint disease, affecting up to 16% of the population in the developed world, with more than 72 million people in the US, EU5, Canada and Australia suffering from osteoarthritis.[1]

OA has a significant impact on day-to-day functioning and, although the levels of pain and disability may fluctuate, it has no known cure or spontaneous remission and is associated with irreversible structural damage and progression over time. Presently there are no drugs approved that can prevent, stop, or even restrain progression of OA.

Moreover, the available medications that claim to mitigate the pain of OA have numerous risk/benefit considerations and market research indicates that only 19% of knee OA patients are satisfied with currently available treatments.[2, 3]

The prevalence of OA is increasing in line with the ageing population and increasing rates of obesity. By 2030 the number of people suffering from OA in the US is predicted to increase by 86% to 67 million.[2] If we assume a similar increase across the other markets defined above, even allowing for lower rates of obesity in non-US markets, it is plausible that more than 120 million people will be suffering from osteoarthritis by 2030.

Prevalence of OA is predicted to grow by 86% by 2030



* Markets: US, EU5, Canada and Australia.

1. Global Health Data Exchange, Institute for Health and Metrics Evaluation, University of Washington. Accessed June 2021 ghdx.healthdata.org/gbd-results-tool.

2. OARSI. Osteoarthritis: A Serious Disease, Submitted to the U.S. Food and Drug Administration December 1, 2016.

3. Matthews GL, Hunter DJ. Emerging drugs for osteoarthritis. Expert Opin Emerg Drugs. 2011;16(3):479-491. doi:10.1517/14728214.2011.576670.

Treatment Pathways – Knee OA

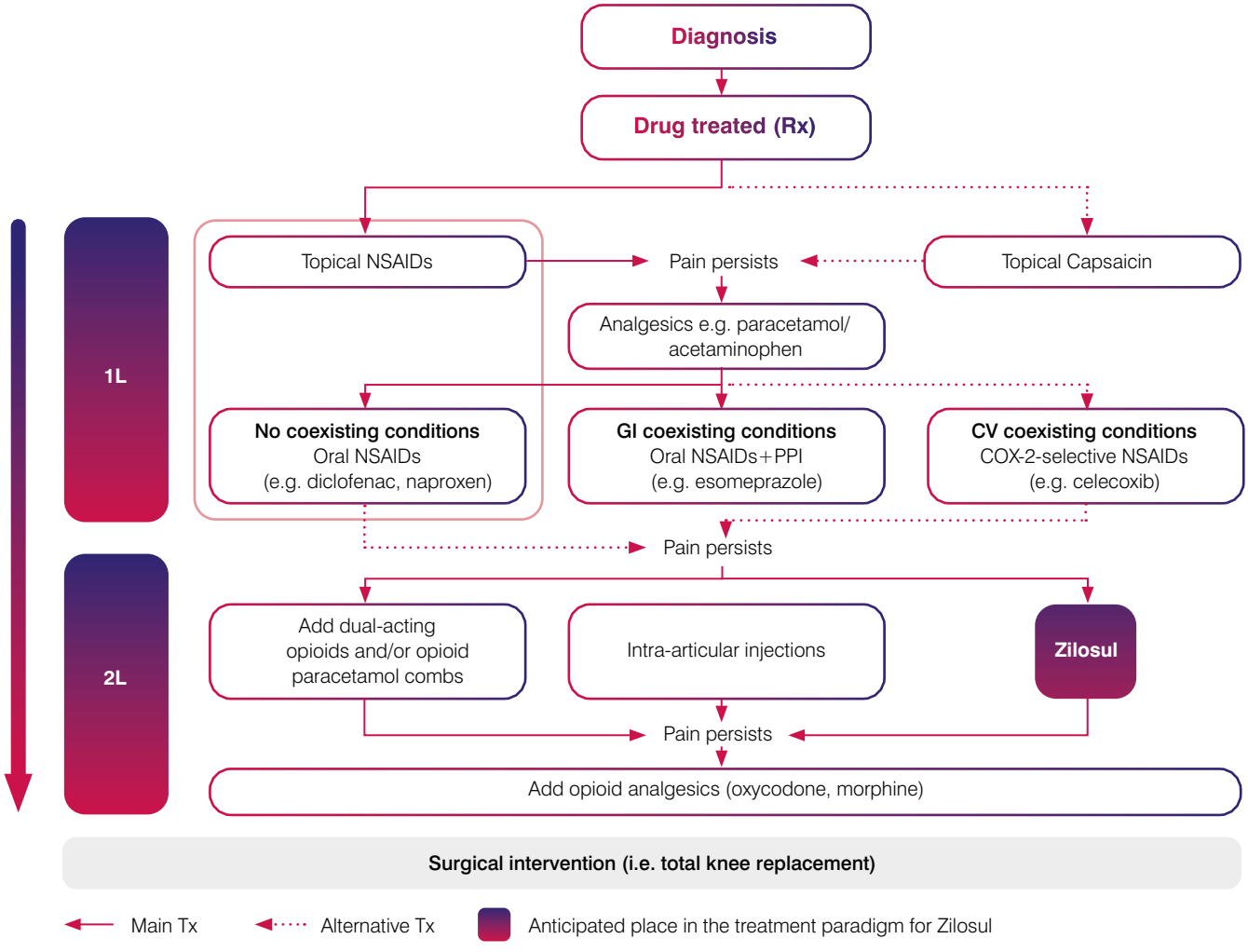
Zilosul® will likely be adopted for use as a second line (2L) treatment after NSAIDs and analgesics like paracetamol have failed either through lack of efficacy or due to unacceptable side effects.

Other treatments used in second line (2L) are products containing opioids and intra-articular injections.

Concerns over the use of opioids have been well documented and it is thought that Zilosul® has potential to reduce opioid use in this indication.

Dr Scott Gottlieb, M.D., ex-Commissioner of the U.S. Food and Drug Administration said on 14 May 2018, "The biggest public health crisis facing FDA is opioid addiction. Not a day goes by in my role at FDA without hearing stories of the emotional, physical, and financial toll this epidemic is taking on Americans". https://blogs.fda.gov/fdavoice/index.php/2018/05/addressing-needs-of-patients-while-stemming-the-tide-of-the-opioidcrisis/

Therein lies the unmet medical need for people suffering from osteoarthritis: a -treatment for the chronic pain and joint stiffness of osteoarthritis which is both safe and effective. Zilosul® is a drug which, to date, has a tolerable safety profile in clinical trials, and has potential to disrupt the pharmaceutical market for the treatment for chronic pain arising from osteoarthritis.



Source: April 2021. Market Research prepared by Decision Resources Group, a part of Clarivate.

1. www.blogs.fda.gov/fdavoice/index.php/2018/05/addressing-needs-of-patients-while-stemming-the-tide-of-the-opioidcrisis
2. www.fda.gov/news-events/fda-voices/fdas-budget-advancing-goal-ending-opioid-crisis

Financial Statements

Directors' Report

Directors present their report together with the Financial Report of Paradigm Biopharmaceuticals Limited (referred to hereafter as the 'company') and the entities it controlled at the end of, or during, the year ended 30 June 2021 (referred to hereafter as the 'Consolidated Entity').

Directors

Information on Directors

The Directors of Paradigm at any time during or since the end of the financial year are:

Paul Rennie, Managing and Executive Director (Appointed on 2 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 4 years, Paul has worked full time at Paradigm Biopharmaceuticals Limited. Since June 23 2020, Paul has also served as Interim Chair of Paradigm, following the resignation of the previous Chair in June 2020.

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

Dr Donna Skerrett, has more than 30 years' experience in transfusion medicine, cellular therapy, and transplantation. She brings a wealth of experience in medical, clinical, and regulatory affairs. Donna served previously as Chief Medical Officer at Mesoblast. She was Director of Transfusion Medicine and Cellular Therapy at Weill Cornell Medical Center in New York (2004 – 2011), and prior to that was Associate Director of Transfusion Medicine and Director of Stem Cell Facilities at Columbia University's New York-Presbyterian Hospital. She has previously chaired the New York State Council on Blood and Transfusion Services, and served on the Board of Directors of the Fox Chase Cancer Center in Philadelphia, and is currently a member of the Board of Visitors of Lewis Katz School of Medicine at Temple University.

Christopher Fullerton, Non-Executive Director (Resigned on 19 November 2020)

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. Christopher'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. At the time of resignation from the Paradigm Board, Christopher was a Non-Executive Director of XTEK Ltd.

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 and SelfWealth Ltd (ASX:SWF).

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

Amos Meltzer is a scientist and an intellectual property lawyer with over 25 years of experience in international trade and in commercialising technologies principally in the life sciences sector. He has presided over life science research and product development projects clinical trials as well as the commercialisation of life sciences assets through both licensing and the sale and marketing of a pharmaceutical product. Previously Amos has served as in house counsel and IP director at two Nasdaq-listed companies Compugen and Gilat, as a non-executive director of a biotechnology company Evogene and as VP of Business Development and then CEO of an ASX-listed biopharmaceutical company Immuron. Amos currently serves as Chief Operating Officer of neuro-medical device company Synchron, chairman of the board of surgeons' education services company Vasculab and as a legal advisor to a number of ASX listed and private life science companies.

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

Helen is Chief Executive Officer and managing director of Bio Capital Impact Fund (BCIF) and Non-Executive Director (NED) and Chair of the Audit and Risk Management Committee of Calix Limited (ASX: CXL), a company with a platform technology with applications in climate change, water management, biotech, and pharmaceutical areas. Prior to establishing BCIF, Helen was a partner of Deloitte and led Deloitte's life science practice in Australia for 5 years, having had many years' experience in the life sciences and health care sector.

Directors' Report
continued

Company Secretary

Kevin Hollingsworth, Company Secretary (Appointed on 2 May 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). At Alpha Technologies Corporation Limited (ASX: ASU), Kevin 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.

Directorships in Other Listed Entities

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

		Period of directorship	
Director	Company	From	To
John Gaffney	SelfWealth Ltd	23-Nov-17	30-Sep-19
Paul Rennie	NeuroScientific Biopharmaceuticals Ltd	22-Jun-21	Current
Helen Fisher	Calix Limited	22-Sep-20	Current
	Sienna Cancer Diagnostics Limited	28-Mar-18	28-Jul-20
	BARD1 Life Sciences Limited	28-Jul-20	25-Nov-20

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 Paradigm during the financial year are:

	Board		Nomination & Remuneration Committee		Audit & Risk Committee	
Director	Held	Attended	Held	Attended	Held	Attended
Paul Rennie	8	8	-	-	-	-
Christopher Fullerton	4	4	1	1	1	1
John Gaffney	8	8	1	1	2	2
Donna Skerrett	8	7	-	-	-	-
Amos Meltzer	4	4	-	-	1	1
Helen Fisher	3	3	-	-	1	1

Committee Membership

As at the date of the report, Paradigm had a Remuneration and Nomination 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
John Gaffney (Chair)	Helen Fisher (Chair)
Amos Meltzer	John Gaffney
Helen Fisher	Amos Meltzer

Principal Activities

The principal activities of Paradigm are researching and developing therapeutic products for human use. It is a drug repurposing company which seeks to find new uses for old drugs, thereby reducing the cost and time to bring therapeutics to market.

Operating Review

Paradigm made a loss for the financial year ended 30 June 2021 of $34,297,184 (2020: $12,298,887) an increase of $21,998,297 on prior year. Given Paradigm is a late-stage clinical development company that is pre revenue, it is likely in the absence of partnering/ material product revenue, that NPAT losses can be expected in future years as the clinical development of Zilosul® increases, leading to commercialisation.

Much of the increased loss was driven by increased R&D expenditure, in particular, for Clinical Development costs reflecting progress within the Clinical program. This was primarily driven by costs associated with preparation for a Phase III trial for our leading indication for iPPS, Zilosul, a treatment for osteoarthritis in knee and hip. In addition to osteoarthritis, spend increased in development costs supporting Mucopolysaccharidoses (MPS).

General and administration costs increased mainly due to establishment or expansion of administrative functions:

- FY21 being the first full year of expense for Paradigm's Investor Relations function.
- Increasing the scope of the Finance department in terms of resource, but also cost of establishing and supporting a newly incorporated US entity.
- Share Based Payment expense, there has been an increase in employee share plan due to the scope of the program now including employees who were previously not included, in addition to impact of higher share price in the valuation compared to prior year.
- Establishment of a People and Culture Function.

Commercial costs were incurred for the first time in FY21 with the Commercial function being established throughout the year.

Other Income of $8,921,097 increased by $4,225,603 compared to FY20, due to increased R&D Tax Incentive Rebate Claim (linked with increased R&D expenditure) of $8,348,705 (increase of $4,700,858 In FY20). Interest received decreased due to less cash on term deposit and lower interest rates on term deposits in FY21.

Pleasingly Paradigm was able to achieve first time revenue under the Therapeutic Goods Administration (TGA) Special Access Scheme (SAS) which was initiated in May 2021. Revenue from SAS is expected to continue in FY22 and is expected to remain modest as product allocation is limited for this program.

Under the SAS program Zilosul has been made available to selected physicians with SAS approval to treat patients experiencing chronic arthralgia from Ross River Virus (RRV) Infection, previous SAS patients seeking re-treatment and other subjects that would not qualify for recruitment for the PARA_OA_002 and PARA_OA_008 clinical trials. Due to the SAS program being designed for a small number of patients (to prioritise supply of product to the PARA_OA_002 and PARA_OA_008 clinical trials) Paradigm has not obtained scale benefits that we would expect with commercial production volumes, this, combined with patient monitoring standards consistent with those of clinical trials, means this is an expensive program for Paradigm to support, leading to a loss in gross profit of $78,588. The SAS program is open and will continue into FY22 where similar margin structures are likely to be observed associated with this program.

The impairment loss during the period was Nil (2020: Nil).

Basic and diluted net loss per share decreased to 16.74 cents (2020: 6.12 cents) due to the increased number of shares.

Environmental Regulation

Paradigm'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 other significant changes in the state of affairs of the entities in Paradigm 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.

Matters Subsequent to the End of the Financial Year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and 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 30 June 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.

Corporate Governance

The Corporate Governance Statement appears on Paradigm's website at:

www.paradigmbiopharma.com/investors/corporate-governance

Directors' Report
continued

Directors' Interests

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

Director	Ordinary shares
Paul Rennie	20,109,222
John Gaffney	587,555
Donna Skerrett	719,284
Amos Meltzer	-
Helen Fisher	-

Indemnification and Insurance of Officers

Indemnification

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

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

Insurance Premiums

Paradigm paid a premium during the year in respect of a Director and officer liability insurance policy, insuring the Directors of Paradigm, the Company Secretary, and all Executive Officers of Paradigm 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.

Proceedings on Behalf of Paradigm

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Paradigm, or to intervene in any proceedings to which Paradigm is a party for the purpose of taking responsibility on behalf of Paradigm for all or part of those proceedings.

Non-audit Services

Paradigm's auditor, RSM Australia, was appointed in July 2014 for audit services and also provided taxation services during FY21.

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 29 to the Financial Statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 29 to the Financial Statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for Paradigm, acting as advocate for Paradigm or jointly sharing economic risks and rewards.

Officers of Paradigm Who Are Former Partners of RSM Australia

There are no Officers of Paradigm who are former partners of RSM Australia.

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21 of the annual report.

Remuneration Report

Auditor

RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

Audited Remuneration Report

This Remuneration Report outlines the Director and Executive Remuneration arrangements of Paradigm in accordance with the requirements of the *Corporations Act 2001* and the *Corporations Regulations 2001*.

For the purposes of this report, Key Management Personnel (**KMP**) of Paradigm are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of Paradigm, directly or indirectly, including any Director (whether Executive or otherwise) of Paradigm. Paradigm does not presently employ any Executives, other than the Executive Director.

Key Management Personnel

The following were Key Management Personnel of Paradigm 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
Paul Rennie	Managing & Executive Director	2 May 2014	
Christopher Fullerton	Non-Executive Director	30 September 2014	19 November 2020
John Gaffney	Non-Executive Director	30 September 2014	
Donna Skerrett	Executive Director	3 July 2020	
Amos Meltzer	Non-Executive Director	9 December 2020	
Helen Fisher	Non-Executive Director	23 February 2021	

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is comprised of 3 Independent Non-Executive Directors and advises the Board on remuneration policies and practices, consistent with those of a late-stage development, Pre-Commercial Revenue Pharma Company. The Remuneration and Nomination 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 succession planning for the Board. The Remuneration and Nomination Committee has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.

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

The Board is responsible to shareholders for ensuring that Paradigm:

- 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 Paradigm, the performance of the Executive and the general pay environment;
- provides disclosure in relation to Paradigm'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 2001*.

Remuneration Report
continued

Principles of Remuneration

Paradigm has developed a remuneration philosophy that seeks to combine elements of Fixed Remuneration, Short-Term Incentive (**STI**) and Long-Term Incentive (**LTI**) that aims to ensure its remuneration strategy successfully aligns the interests of its Executives and employees with those of its shareholders. Paradigm is a late-stage development, Pre-Commercial Revenue Pharma Company, with less than 50 employees across the US and Australia. The Board maintains a simple remuneration structure and performance review process that comprises:

- Fixed remuneration, that allows the organisation to attract and retain individuals with the necessary skills and experience to execute on the Company's strategy.
- STI that is linked to individual and Company performance, payable upon execution of the Company's strategy that will grow shareholder value.
- LTI structure that is aimed at long term retention of staff and rewards staff in a manner that is aligned with the growth in shareholder value.

Remuneration Structure

In accordance with best practice Corporate Governance, the structure of Non-Executive Directors' Remuneration is clearly distinguished from that of Executives.

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 amount of $500,000 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 Consolidated Entity or Board activities.

Directors are not required to hold shares in Paradigm 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 Governance

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

KMP remuneration is compared against similar positions across the ASX300 and Industry peers to ensure that remuneration levels and structures remain consistent with roles of comparable skill, experience and responsibility levels.

During FY21 Paradigm revised its STI and LTI incentive programs, the level of incentive available to Key Management Personnel (**KMP**) under both programs consists of the following:

- A review was conducted of the CEO's remuneration, including a comparison against other ASX-listed companies of comparable market capitalisation. Based on that review, the Board determined that Mr Rennie's total remuneration package was significantly below the median for a CEO of a company of similar market capitalisation. It was resolved to revise Mr Rennie's base salary and at risk component (including STI and LTI) so that it was more in line with the median remuneration for such a position. Accordingly, Mr Rennie's base salary was increased by 10% in FY21 and the potential maximum available STI was increased to up to 40% of base salary.
- The CEO is eligible to receive an LTI award of up to 600,000 ordinary shares. The actual award is linked to the STI performance outcome. i.e., If 75% of the STI is achieved (30%) then the LTI award is 75% of 600,000 shares. The LTI award will vest equally over a 3-year period i.e. 75% of 600,000 shares equates to an award of 450,000 shares. These shares will vest equally at 150,000 shares per year for 3 years. The award price for the shares will be based on the 30 day VWAP with a 25% premium applied to this price, to provide greater alignment to increase total shareholder returns (TSR). The shares will be supported by a non-recourse loan, meaning that for the shares to be fully "exercised" (i.e. by repaying the loan), the share price at the point of "exercising" the shares will need to be greater than the offer price of the share award. The shares must be "exercised" within 5 years of the offer date.
- The Executive Director and Chief Medical Officer (**CMO**) is eligible to earn an STI of up to 30% of their base salary, pending achievement of Board approved performance objectives, which are linked to the Board approved strategic plan.

- The Executive Director and CMO is eligible to receive an LTI award of up to 500,000 ordinary shares. The actual award is linked to the STI performance outcome. That is, if 75% of the STI is achieved (22.5%) then the LTI award is 75% of 500,000 shares. The LTI award will vest equally over a 3-year period i.e., 75% of 500,000 shares equates to an award of 375,000 shares. These shares will vest equally at 125,000 shares per year for 3 years. The award price for the shares will be based on the 30 day VWAP with a 25% premium applied to this price, to provide greater alignment to increase TSR.
- The shares will be supported by a non-recourse loan, meaning that for the shares to be fully "exercised" (I.e. by repaying the loan), the share price at the point of "exercising" the shares will need to be greater than the offer price of the share award. The shares must be "exercised" within 5 years of the offer date.

Following Board approval of the annual strategic plan update, the Board approves the current year, in this case FY21, performance objectives against which KMP STI and LTI will be reviewed and assessed.

A formal review process by the Remuneration and Nomination Committee of KMP performance is undertaken annually to assess the delivery of the agreed objectives. The outcome of this review process delivers any STI and LTI award, which are fully at risk.

In addition to governing KMP remuneration, the Remuneration and Nomination Committee sets the aggregate fee pool for Non-Executive Directors and Non-Executive director fee's (subject to shareholder approval).

Issue of Shares

Details of shares issued to Directors and other Key Management Personnel as part of the ESP compensation:

Name	Date	Shares	Issue price	Fair value of issued shares	$
Paul Rennie	29 May 2015	600,000	$0.35	$0.208	124,800
	30 November 2016	140,000	$0.33	$0.268	37,553
	13 November 2017	210,000	$0.63	$0.198	41,580
	26 November 2018	300,000	$1.15	$0.623	186,900
	7 November 2019	197,355	$2.93	$1.540	303,927
	19 November 2020	600,000	$3.05	$1.185	711,000
John Gaffney	29 May 2015	600,000	$0.35	$0.208	124,800
Donna Skerrett	7 November 2019	219,284	$2.93	$1.540	337,697
	19 November 2020	500,000	$3.05	$1.185	592,500

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 Personnel, including their related entities is as follows:

Directors & Key Management Persons	Held at year opening	Purchases	Disposals	Issued via ESP	Held at year end
Paul Rennie	19,509,222			600,000	20,109,222
John Gaffney	587,555	-	-	-	587,555
Donna Skerrett	219,284			500,000	719,284
Amos Meltzer	-	-	-	-	-
Helen Fisher	-	-	-	-	-

Remuneration Report
continued

Employment Agreements

The Board has reviewed the remuneration package for the Chief Executive Officer on 29 July 2021. The Remuneration and other terms of employment for the Chief Executive Officer is formalised in a service agreement. Details of this agreement are as follows:

Name:	Paul Rennie
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	7 November 2020
Term of agreement:	3 years
Details:	Base annual package *, Short-term incentives (STI) ** and discretionary share based Long-term incentives (LTI) ***, subject to annual performance review, 6-month termination notice by either party, 3-12-month non-solicitation clause after termination depending on the area. Paradigm may terminate the agreement with cause in certain circumstances such as gross misconduct.

* Base annual package for financial year 2021/22 – $525,300 per annum plus statutory Superannuation, to be reviewed annually by the Remuneration and Nomination Committee.
** STI to be paid in cash up to a maximum of 40% of the Base Salary, provided KPIs agreed with the Board have been met. For financial year 2020/21, Mr. Rennie has been awarded STI of 30% of base salary ($153,000), which is 75% of the maximum available STI for reasons outlined below.
*** LTI via invitation to participate in Paradigm's Employee Share Plan. 600,000 Ordinary Shares were granted as at 19 November 2020 at an exercise price of $3.05 based on meeting agreed performance KPIs for the 2020 financial year. These shares were issued on vesting conditions outlined above. Each tranche of shares will vest in 12 months, 24 months and 36 months. This issue was funded by a limited recourse loan from Paradigm.
For the financial year 2020/21, MR. Rennie has been awarded LTI of 450,000 ESP shares, which represent 75% of the maximum available LTI.

The Board has reviewed the remuneration package for the Chief Medical Officer on 29 July 2021. The Remuneration and other terms of employment for the Chief Medical Officer is formalised in a service agreement. Details of this agreement are as follows:

Name:	Donna Skerrett
Title:	Chief Medical Officer
Agreement commenced:	1 September 2019
Term of agreement:	Role is ongoing
Details:	Base annual package *, STI ** and discretionary share based LTI ***, subject to annual performance review, 3-month termination notice by either party, 3-12-month non-solicitation clause after termination depending on the area. Paradigm may terminate the agreement with cause in certain circumstances such as gross misconduct.

* Base annual package for financial year 2021/22 – US$651,372 per annum plus 401K contribution of 6% , to be reviewed annually by the Remuneration and Nomination Committee.
** STI to be paid in cash up to a maximum of 30% of the Base Salary, provided KPIs agreed with the Board have been met. For financial year 2020/21, Dr. Skerrett has been awarded an STI of 22.5% of the base salary ($184,409), which is 75% of the maximum available STI, for reasons outlined below.
*** LTI via invitation to participate in Paradigm's Employee Share Plan. 500,000 Ordinary Shares were granted on 19 November 2020 at an exercise price of $3.05 based on meeting agreed performance KPIs for the 2020 financial year. These shares were issued on vesting conditions outlined above. Each tranche of shares will vest in 12 months, 24 months and 36 months. This issue was funded by a limited recourse loan from Paradigm.
For financial year 2020/21, Dr. Skerrett has been awarded LTI of 375,000ESP shares, which represent 75% of the maximum available LTI.

Remuneration of Key Management Personnel

Details of the nature and amount of each major element of the remuneration of each Key Management Personnel of Paradigm for the year ended 30 June 2021 are:

	Short-term			Post-employment	Long-term	Share-based payments[1]			
Directors & Key Management Personnel	Salary & fees $	Annual Leave $	Cash Bonus $	Superannuation and benefits	Long service leave $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Non-Executive									
Christopher Fullerton	22,917	-	-	2,177	-	-	25,094	0.0%	0.00%
John Gaffney	67,500	-	-	6,413	-	-	73,913	0.0%	0.00%
Amos Meltzer	44,583	-	-	4,235	-	-	48,818	0.0%	0.00%
Helen Fisher	33,333	-	-	3,167	-	-	36,500	0.0%	0.00%
Executive									
Paul Rennie	510,000	38,784	153,000	67,628	18,089	397,114	1,184,615	12.92%	33.52%
Donna Skerrett[2]	851,256	30,262	184,409	42,268	-	330,929	1,439,123	12.81%	23.00%
Total 2021	**1,529,589**	**69,046**	**337,409**	**125,888**	**18,089**	**728,043**	**2,808,064**	**12.02%**	**25.93%**

1. Share Based Payments represents valuation of shares awarded in November 2020 in line with the Company's accounting policy for accounting for share based payments.
2. Dr. Donna Skerrett is paid in USD, remuneration figures have been translated to AUD at a conversion rate of 0.7716.

Remuneration and Awards for Financial Year Ended 30 June 2021

Board of Directors' Remuneration

Throughout FY21 there were no Chair fee's paid as Mr. Paul Rennie who fulfilled the roles of Interim Chair and CEO and Managing Director of Paradigm Biopharmaceuticals. Non-Executive Directors remuneration increased from $60,000 to $80,000 per year, effective from 01/01/2021. The fees were increased to attract and retain Board members with the necessary skills and expertise to continue to support the progress of the company. This increase is the first increase in non-executive director fees since Paradigm was listed on the ASX on 19th August 2015 and is consistent with ASX300 NED fees.

KMP Remuneration

Following performance review of both KMP. Members the Remuneration and Nominations Committee has resolved there will be an increase of 3% applied to KMP gross salaries in FY22. Performance outcomes for KMP are as follows:

- During the FY 2021, the Company achieved many milestones, including those which are critical for the commercialisation of Zilosul, including conducting 26 non-clinical studies. The opening of the phase 3 IND with the US FDA was the key Company milestone for the year. Even though the IND application was submitted on time, as communicated to the market, due to the FDA questions and regulatory timeframes, at the time of this report, this milestone has not been achieved, which in turn adversely affected the share price of the Company.
- The Remuneration Committee had undertaken a review of the remuneration framework during the year and considered that, in addition to the function of the LTI being to align KMP's interests with shareholder return, to date the LTIs had also been considered by the Company as a reward for performance and to further align the performance of the KMP with the TSR. Based on these considerations, the Remuneration Committee recommended to the Company Board that the KMP receive only 75% of their possible maximum LTI. The Company Board accepted the recommendation of the Remuneration Committee and resolved to award the KMP 75% of their possible maximum LTI. Mr Rennie and Dr Skerrett received 75% of the potential maximum LTI this will be subject to shareholder approval at the Company AGM in November 2021.
- The Remuneration Committee further recommended to the Company Board that KMP should also receive only 75% of the possible maximum STI and this recommendation was accepted by the Company Board. The Remuneration Committee recommended this 25% reduction in the maximum available STI on the basis that the key company milestone of the opening of the US FDA IND was not achieved as at 30 June 2021 and this was one of the KPIs for the assessment of the STIs to be granted to Mr Rennie and Dr Skerrett. The Company Board accepted the recommendation of the Remuneration Committee outlined above and resolved to award the STI in line with that recommendation.

Details of the nature and amount of each major element of the remuneration of each Key Management Personnel of Paradigm for the year ended 30 June 2020 are:

	Short-term			Post-employment	Long-term	Share-based payments			
Directors & Key Management Personnel	Salary & fees $	Annual leave $	Cash bonus $	Superannuation benefits $	Long service leave $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Non-Executive									
Graeme Kaufman	110,000	-	-	10,450	-	-	120,450	0.0%	0.00%
Christopher Fullerton	55,000	-	-	5,225	-	-	60,225	0.0%	0.00%
John Gaffney	55,000	-	-	5,225	-	-	60,225	0.0%	0.00%
Executive									
Paul Rennie	462,000	36,948	115,500	58,373	12,850	-	685,671	16.84%	0.00%
Total 2020	**682,000**	**36,948**	**115,500**	**79,273**	**12,850**	**-**	**926,571**	**12.47%**	**0.00%**

Remuneration Report
continued

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk – STI		At risk – LTI	
Name	2021	2020	2021	2020	2021	2020
Non-Executive						
Christopher Fullerton	100.00%	100.00%	-	-	-	-
John Gaffney	100.00%	100.00%	-	-	-	-
Amos Meltzer	100.00%	100.00%	-	-	-	-
Helen Fisher	100.00%	100.00%	-	-	-	-
Executive						
Paul Rennie	53.56%	83.16%	12.92%	16.84%	33.52%	-
Donna Skerrett	64.19%	-	12.81%	-	23.00%	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Nomination and Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

	STI paid/payable		STI forfeited	
Name	2021	2020	2021	2020
Non-Executive				
Christopher Fullerton	-	-	-	-
John Gaffney	-	-	-	-
Amos Meltzer	-	-	-	-
Helen Fisher	-	-	-	-
Executive				
Paul Rennie	75%	100%	25%	-
Donna Skerrett	75%	N/A	25%	N/A

Additional Information

The earnings of Paradigm for the five years to 30 June 2021 are summarised below:

	2021 $	2020 $	2019 $	2018 $	2017 $	2016 $
Income	8,941,647	4,695,494	3,245,628	2,736,400	1,848,924	1,394,161
Loss after income tax	(34,297,184)	(12,298,887)	(15,627,544)	(6,190,232)	(4,275,446)	(2,924,425)

The factors that are considered to affect total shareholders return (TSR) are summarised below:

	2021	2020	2019	2018	2017	2016
Share price at financial year end ($)	2.10	3.15	1.40	0.65	0.29	0.35
Total dividends declared (cents per share)	-	-	-	-	-	-
Basic earnings per share (cents per share)	(16.74)	(6.12)	(10.93)	(5.46)	(4.42)	(3.60)

This is the End of the Audited Remuneration Report.

Dated at Melbourne, Victoria this 26th day of August 2021.

Signed in accordance with a resolution of the Directors, pursuant to section 298(2)(a) of the Corporations Act:

Paul Rennie
Interim Chairman

Auditor's Independence Declaration

RSM Australia Partners
Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199
www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Paradigm Biopharmaceuticals Limited for the year ended 30 June 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 audit; and
(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 26 August 2021
Melbourne, Victoria

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Notes	Period from 1-Jul-20 to 30-Jun-21 $	Period from 1-Jul-19 to 30-Jun-20 $
Revenue from continuing operations		20,550	-
Cost of sales		(99,138)	-
Other income	2	8,921,097	4,695,494
Research and development expenses		(33,516,918)	(14,020,225)
General and administration expenses		(8,748,174)	(2,939,988)
Commercial expenses		(836,879)	-
Finance costs		(37,722)	(34,168)
Loss before income tax		**(34,297,184)**	**(12,298,887)**
Income tax expense/(benefit)	29	-	-
Loss for the year		**(34,297,184)**	**(12,298,887)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		58,034	-
Other comprehensive income for the year, net of tax		**58,034**	**-**
Total comprehensive (loss) attributable to members of the Consolidated Entity		**(34,239,150)**	**(12,298,887)**
Earnings per share – Loss (cents)			
Basic and diluted earnings (Loss) per share	19	(16.74) cents	(6.12) cents

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

Consolidated Statement of Financial Position

as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	3	71,034,983	103,922,241
Trade and other receivables	4	8,507,640	3,509,777
Prepaid expenses	5	1,388,748	192,380
Financial assets held at amortised cost		46,200	746,200
Total current assets		**80,977,571**	**108,370,598**
Non-current assets			
Intangible assets	6	2,947,588	2,947,588
Plant and equipment	7	92,696	109,913
Right-of-use assets	8	671,709	832,917
Security deposits receivable		102,616	102,616
Total non-current assets		**3,814,609**	**3,993,034**
Total assets		**84,792,180**	**112,363,632**
LIABILITIES			
Current liabilities			
Trade and other payables	9	4,986,440	2,784,324
Employee benefits	10	672,404	455,510
Lease liabilities	11	134,616	124,731
Total current liabilities		**5,793,460**	**3,364,565**
Non-current liabilities			
Employee benefits	12	108,209	68,390
Lease liabilities	13	617,225	748,958
Total non-current liabilities		**725,434**	**817,348**
Total liabilities		**6,518,894**	**4,181,913**
Net assets		**78,273,286**	**108,181,719**
EQUITY			
Issued capital	14	146,989,484	145,865,076
Share-based payments reserve	15	6,453,995	3,585,189
Currency translation reserve		58,034	-
Accumulated losses	16	(75,228,227)	(41,268,546)
Total equity		**78,273,286**	**108,181,719**

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 2021

	Notes	Period from 1-Jul-20 to 30-Jun-21 $	Period from 1-Jul-19 to 30-Jun-20 $
Cash flows from operating activities			
Research and development and other tax incentive received		3,370,557	3,621,355
Payments to suppliers and employees (Inclusive of GST)		(38,522,281)	(14,797,407)
Interest received		259,961	1,120,163
Interest repayment of lease liabilities		(37,722)	(34,168)
Net cash outflow from operating activities	23	**(34,929,485)**	**(10,090,057)**
Cash flows from investing activities			
Payments for intangible assets	6	(850)	(3,353)
Payments for plant and equipment	7	(30,782)	(127,537)
Proceeds for financial assets held at amortised cost		700,000	5,753,800
Net cash inflow from investing activities		**668,368**	**5,622,910**
Cash flows from financing activities			
Proceeds from the issue of share capital		-	35,000,000
Proceeds from exercise of share options	14	1,020,733	1,839,328
Limited recourse loan repaid under ESP	14	103,675	1,895,907
Payments of share issue costs		-	(2,588,451)
Principal repayment of lease liabilities		(121,848)	(93,569)
Net cash inflow from financing activities		**1,002,560**	**36,053,215**
Net (decrease)/increase in cash and cash equivalents		**(33,258,557)**	**31,586,068**
Cash at the beginning of the financial period		**103,922,241**	**72,336,173**
Net effect of cash flows on foreign exchange		**371,299**	**-**
Cash at the end of the financial period		**71,034,983**	**103,922,241**

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 2021

	Issued Capital $	Share Option Reserve $	Accumulated Losses $	Currency Translation Reserve $	Total $
Balance at 30 June 2019	**109,468,292**	**4,072,844**	**(30,734,818)**	**-**	**82,806,318**
Loss for the period	-	-	(12,298,887)	-	(12,298,887)
Shares issued (Note 14)	35,000,000	-	-	-	35,000,000
Costs in relation to shares issued	(2,338,451)	-	-	-	(2,338,451)
Fair value of shares issued to eligible employees under the plan (Note 15)	-	490,936	-	-	490,936
Fair values of options issued to third party under the share-based payment arrangement (Note 15)	-	786,568	-	-	786,568
Transfer from share reserve	-	(1,765,159)	1,765,159	-	-
Shares issued relating to repayment of limited recourse loan for ESP	1,895,907	-	-	-	1,895,907
Exercise of options	1,839,328	-	-	-	1,839,328
Balance at 30 June 2020	**145,865,076**	**3,585,189**	**(41,268,546)**	**-**	**108,181,719**
Loss for the period	-	-	(34,297,184)	-	(34,297,184)
Fair value of shares issued to eligible employees under the plan (Note 15)	-	3,206,309	-	-	3,206,309
Transfer from share-based payments reserve on exercise of options	-	(337,503)	337,503	-	-
Shares issued relating to repayment of limited recourse loan for ESP	103,675	-	-	-	103,675
Exercise of options	1,020,733	-	-	-	1,020,733
Currency translation movements	-	-	-	58,034	58,034
Balance at 30 June 2021	**146,989,484**	**6,453,995**	**(75,228,227)**	**58,034**	**78,273,286**

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Reporting Entity

Paradigm Biopharmaceuticals Limited (the 'Consolidated Entity') is a company incorporated and domiciled in Australia. Paradigm Biopharmaceuticals Limited 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 Consolidated Entity for the year ended 30 June 2021 comprises the Company and controlled entities (together referred to as the 'Consolidated Entity').

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

For the purposes of preparing the Financial Statements the Consolidated Entity is a for-profit entity.

(b) Basis of Preparation

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).

Basis of Measurement

Historical Cost Convention

The Financial Statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of plant and equipment and derivative financial instruments.

Critical Accounting Estimates

The preparation of the Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 1 (c).

Restatement of comparatives

Financial comparatives in the income statement have been amended from prior year. In FY21 the organisation has adopted a functional view of expenditure, which has meant the prior year disclosures were re-mapped to align with the new functional format.

Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Consolidated Entity to all periods presented in these Financial Statements.

New, Revised 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, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Consolidated Entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Consolidated Entity's Financial Statements.

Foreign Currency Translation

The Financial Statements are presented in Australian dollars, which is Paradigm Biopharmaceutical Limited's functional and presentation currency.

Foreign Currency Transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign Operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

(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 resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based Payment Transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of Useful Lives of Assets

The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of Non-financial Assets Other Than Goodwill and Other Indefinite Life Intangible Assets

The Consolidated Entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Other Indefinite Life Intangible Assets

The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to Note 7 for further information.

Employee Benefits Provision

As discussed in Note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been considered.

Coronavirus (COVID-19) Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the Financial Statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

continued

1. Summary of Significant Accounting Policies continued

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental Borrowing Rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Consolidated Entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

(d) Summary of Significant Accounting Policies

(i) Basis of Consolidation

Parent Entity

In accordance with the *Corporations Act 2001*, these Financial Statements present the results of the Consolidated Entity only. Supplementary information about the Parent Entity is disclosed in Note 23.

Subsidiaries

The consolidated Financial Statements comprise those of the Consolidated Entity, 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 Consolidated Entity. Control exists when the Consolidated Entity 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 Consolidated Entity until the date that control ceases.

Transactions Eliminated on Consolidation

Intra-company balances and all gains and losses or income and expenses arising from intra-company 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 purpose 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) Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Consolidated Entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any provision for impairment.

(iv) Investments

Investments are initially measured at cost. Transaction costs are included as part of the initial measurement. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

(v) Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

(a) Patents and Trademarks

Patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses once the patents are considered held ready for use. Intellectual property and licences are amortised on a systematic basis matched to the future economic benefits over the useful life of the project once the patents are considered held ready for use.

Significant costs associated with trademarks are capitalised and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

(b) Research and Development

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.

(vi) Impairment

At the end of each reporting period, the Consolidated Entity 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity 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.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of the money and risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Consolidated Entity bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Consolidated Entity's projects to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

(vii) Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

continued

1. Summary of Significant Accounting Policies continued

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives of 2–15 years.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(viii) Right-of-use-assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(ix) 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.

(x) 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.

(xi) Provisions

Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(xii) Revenue

Interest Income

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

Other Revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government Grants

Grants that compensate the Consolidated Entity for expenditures incurred are recognised in profit or loss on a systematic basis in the periods in which the expenditures are recognised. R&D tax offset receivables will be recognised in profit before tax (in EBIT) over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. Such periods will depend on whether the R&D costs are capitalised or expensed as incurred.

(xiii) Employee Benefits

Wages and salaries, cash bonus, 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 Consolidated Entity 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 Consolidated Entity 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 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 Consolidated Entity provides benefits to employees (including Directors) of the Consolidated Entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

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 Consolidated Entity, 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.

(xiv) Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

continued

1. Summary of Significant Accounting Policies continued

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(xv) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

The Consolidated Entity 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 Consolidated Entity as an equity contribution or distribution.

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.

Assets or liabilities arising under tax funding agreements with the tax-consolidated entities are recognised as amounts receivable from or payable to other entities in the tax-consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax-consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

(xvi) Current and Non-current Classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(xvii) 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 Taxation 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.

(xviii) Earnings (Loss) Per Share

The Consolidated Entity 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 Consolidated Entity 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.

(xix) Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data. There are no assets held at fair value on a recurring or non-recurring basis.

There are no assets held at fair value on a recurring or non-recurring basis.

(xx) Operating Segment

Identification of Reportable Operating Segments

The Consolidated Entity is organised into one operating segment based on the research and development of pharmaceutical drugs. The operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the Financial Statements.

The information reported to the CODM is on a monthly basis.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

continued

1. Summary of Significant Accounting Policies continued

New Standards and Interpretations Not Yet Effective or Early Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2021. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Consolidated Entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Consolidated Entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Consolidated Entity's Financial Statements.

2. Other Income

	2021 $	2020 $
R&D tax incentive	8,348,705	3,647,847
Interest received	209,126	997,647
ATO cash flow boost payment	50,000	50,000
Unrealised currency gains	313,266	-
	8,921,097	**4,695,494**

3. Cash and Cash Equivalents

	2021 $	2020 $
Cash at bank and in hand	71,034,983	103,922,241
	71,034,983	**103,922,241**

4. Trade and Other Receivables

	2021 $	2020 $
GST receivable	94,290	34,070
Interest receivable	678	51,513
R&D tax incentive receivable	8,392,122	3,424,194
Trade receivables	20,550	-
	8,507,640	**3,509,777**

On the 20th July 2021 Paradigm received $1,314,282 relating to an amended R&D Tax Incentive Claim for FY20. The amendment, lodged in June 2020, was made to reflect the impact of recently approved overseas finding from AusIndustry.

5. Prepaid Expenses

	2021 $	2020 $
Prepaid insurance	93,855	25,554
Other prepaid expenses	1,294,893	166,826
	1,388,748	**192,380**

6. Intangible Assets

	2021 $	2020 $
Patents	9,926,366	9,925,516
Less: Accumulated amortisation	(6,978,778)	(6,977,928)
	2,947,588	**2,947,588**
Reconciliation		
Carrying amount at the beginning of the period	2,947,588	2,981,359
Additions during the period	850	3,353
Disposals	-	-
Amortisation expense	(850)	(37,124)
Impairment loss	-	-
Balance at the end of the financial year	**2,947,588**	**2,947,588**

The Consolidated Entity performed its annual impairment test in June 2021. The Consolidated Entity remains committed to its respiratory intangible asset. Investigating the use of iPPS as a potential therapy for Hay Fever, Asthma or Chronic Obstructive Pulmonary Disease (COPD) remains part of the Company's development pipeline. Further consideration is being given around delivery mechanism and developing the formulation to effectively deliver the therapy to treat patients suffering from these illnesses before further development costs are committed.

Respiratory Patent

The respiratory patent covers the use of PPS for treating Allergic Rhinitis, Allergic Asthma and COPD. The Respiratory patent is now granted in Australia, New Zealand, China, Canada and Europe.

The recoverable amount of the respiratory patent as at 30 June 2021 has been determined based on a value-in-use calculation using a 5-year cash flow projection approved by senior management. The after-tax discount rate applied to cash flow projections is in the range of 20-25%. It was concluded that the risk adjusted value-in-use exceeds the carrying amount of the cash generating unit by $10,853,989. As a result of this analysis, management has not recognised an impairment charge.

Key Assumptions Used in Value-in-use Calculations and Sensitivity to Changes in Assumptions

The calculation of value-in-use for both respiratory and anti-inflammatory/autoimmune patents is most sensitive to the following assumptions:

- Projected milestone revenue
- Projected development costs
- Discount rate

Projected revenue has been forecast based on projected partnering income associated with the development of the respiratory asset. The milestone income assumptions in the value in use calculation are comparable to other Global Partnering arrangements. The value in use calculation does not include royalty from product sales, as this is seen to be outside of the 5 year period of the calculation. In terms of development costs used in the value in use calculation, there are broad assumptions made, which as Paradigm continues to refine its approach to this asset, may see development costs reduce (i.e. once Paradigm determines the delivery mechanism, formulation of therapy and dose regimen, development costs will become clearer and will be reflected in the model.

An after-tax discount rate of between 20-25% has been applied to the projected free cash flow of the cash generating unit. The discount rate reflects the Consolidated Entity's estimated cost of capital based on the risk-free rate, market risk premium, volatility of the share price relative to market movements, company specific risk factors and some allowance for probability of success adjustment in the interest rate. In terms of sensitivity in the calculation, if the model reduced revenue by $29M, the DCF would break even with the carrying value. Likewise if WACC were to increase to 75%, the DCF would breakeven.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

continued

7. Plant and Equipment

	2021 $	2020 $
Computer equipment	104,522	73,740
Less: Accumulated depreciation	(70,528)	(43,341)
	33,994	**30,399**
Reconciliation		
Carrying amount at the beginning of the period	30,399	17,663
Additions during the period	30,782	33,458
Disposals	-	-
Depreciation expense	(27,187)	(20,722)
Balance at the end of the financial year	**33,994**	**30,399**
Clinical trial equipment	9,419	9,419
Less: Accumulated depreciation	(8,342)	(7,750)
	1,077	**1,669**
Reconciliation		
Carrying amount at the beginning of the period	1,669	2,613
Additions during the period	-	-
Disposals	-	-
Depreciation expense	(592)	(944)
Balance at the end of the financial year	**1,077**	**1,669**

	2021 $	2020 $
Office equipment	78,038	78,038
Less: Accumulated depreciation	(29,741)	(14,185)
	48,297	**63,853**
Reconciliation		
Carrying amount at the beginning of the period	63,853	3,753
Additions during the period	-	73,648
Disposals	-	-
Depreciation expense	(15,556)	(13,548)
Balance at the end of the financial year	**48,297**	**63,853**
Leasehold improvements	20,431	20,431
Less: Accumulated amortisation	(11,103)	(6,439)
	9,328	**13,992**
Reconciliation		
Carrying amount at the beginning of the period	13,992	-
Additions during the period	-	20,431
Disposals	-	-
Amortisation expense	(4,664)	(6,439)
Balance at the end of the financial year	**9,328**	**13,992**
	92,696	**109,913**

8. Right-of-use Assets

	2021 $	2020 $
Land and buildings – right-of-use	967,258	967,258
Less: Accumulated depreciation	(295,549)	(134,341)
	671,709	**832,917**

The Consolidated Entity leases land and buildings for its office under agreement of 3 years with option to extend (an additional 2 years). On renewal, the extension will be on the same conditions as this lease subject to the terms applicable to extension.

The Consolidated Entity has a sub-tenancy agreement for one year. This is short-term and has been expensed as incurred and not capitalised as the right-of-use asset.

There has been no additions to right-of-use assets in the current financial year.

9. Trade and Other Payables

	2021 $	2020 $
Trade and other payables	4,986,440	2,747,735
Shareholder loans	-	36,589
	4,986,440	**2,784,324**

10. Employee Benefits

	2021 $	2020 $
Annual leave and on-costs	672,404	455,510
	672,404	**455,510**

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rate payments in certain circumstances. The entire amount is presented as current since the Consolidated Entity does not have an unconditional right to defer settlement.

11. Current Liabilities – Lease Liabilities

	2021 $	2020 $
Lease liabilities	134,616	124,731
	134,616	**124,731**

12. Non-current Liability – Employee Benefits

	2021 $	2020 $
Long service leave provision	108,209	68,390
	108,209	**68,390**

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

continued

13. Non-current Liability – Lease Liabilities

	2021 $	2020 $
Lease liabilities	525,372	660,730
Make good provision	91,853	88,228
	617,225	**748,958**

Make Good Provision

The provision represents the present value of the estimated costs to make good the premises leased by the Consolidated Entity at the end of the respective lease terms.

Movements in Provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good 2021 $	Lease make good 2020 $
Consolidated		
Carrying amount at the start of the year	88,228	-
Additional provisions recognised	-	87,463
Unwinding of discount	3,625	765
Carrying amount at the end of the year	**91,853**	**88,228**

14. Issued Capital

	2021 Number of Shares	2020 Number of Shares	2021 $	2020 $
Ordinary shares fully paid	229,905,798	224,747,176	146,989,484	145,865,076

The following movements in issued capital occurred during the year:

	2021 Number of Shares	2020 Number of Shares	2021 $	2020 $
Ordinary Shares				
Balance as at the beginning of the period	224,747,176	192,207,761	145,865,076	109,468,292
Ordinary shares issued	-	26,923,077	-	35,000,000
Ordinary shares issue costs (Net of GST)	-	-	-	(2,338,451)
Shares issued under ESP	3,315,000	1,320,088	-	-
Shares forfeited	(52,628)			
Limited recourse loan repaid under ESP	-	-	103,675	1,895,907
Exercise of unlisted options	1,896,250	4,296,250	1,020,733	1,839,328
Balance as at the end of the period	**229,905,798**	**224,747,176**	**146,989,484**	**145,865,076**

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Consolidated Entity in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Consolidated Entity does not have a limited amount of authorised capital.

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

Capital Risk Management

The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Consolidated Entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Consolidated Entity's share price at the time of the investment. The Consolidated Entity is not actively pursuing additional investments in the short-term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Consolidated Entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

continued

15. Share-based Payment Reserve

	2021 $	2020 $
Balance as at the beginning of the period	3,585,189	4,072,844
Fair values of shares issued/to be issued to eligible employees under the ESP	3,206,309	490,936
Fair values of options issued to third party under the share-based payment arrangement	-	786,568
Transfer from share reserve on exercise of options	(337,503)	(1,765,159)
	6,453,995	**3,585,189**

Once approved by the Board, monies are loaned by the Consolidated Entity 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.

On 10 July 2020, an invitation of ESP shares of 2,215,000 based on 2020 performance was approved and issued on at a price of $3.24 per share. On 19 November 2020, a further invitation of ESP shares of 1,100,000 based on 2020 performance was approved and issued at a price of $3.05 per share. These shares were issued on 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.

The weighted average share price during the financial year was $2.68.

Set out below are summaries of options granted under the Employee Share Plan:

ESP Shares	Grant date	Vesting condition	Number
Jul-20	10/07/2020	738,331 shares are vested on 10 July 2021, 738,332 shares are vested on 10 July 2022 and 738,337 shares are vested on 10 July 2023	2,215,000
Nov-20	19/11/2020	366,666 shares are vested on 19 November 2021, 366,667 shares are vested on 19 November 2022 and 366,667 shares are vested on 19 November 2023	1,100,000

30-Jun-21

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**

30-Jun-20

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	5,805,000	1,320,088	(4,211,570)	-	2,913,518
			5,805,000	**1,320,088**	**(4,211,570)**	**-**	**2,913,518**

For the options 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
10/07/2020	10/07/2025	$3.24	$3.24	85.00%	0.00%	0.40%	$1.91
19/11/2020	19/11/2025	$3.05	$3.05	85.00%	0.00%	0.30%	$1.81

In addition, the Consolidated Entity has the following unlisted options as at 30 June 2021:

(i) 275,000 unlisted options exercisable at $1.75 each on or before 28 February 2023 in accordance with existing corporate services mandate the weighted average remaining contractual life of options outstanding at the end of the financial year was 1.67 years; and

(ii) 550,000 unlisted options exercisable at $1.75 each on or before 24 March 2023 in accordance with existing corporate services mandate the weighted average remaining contractual life of options outstanding at the end of the financial year was 1.73 years.

Unlisted Options

30-Jun-21

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
07/09/2019	24/03/2023	$1.75	550,000	-	-	550,000
07/09/2019	28/02/2023	$1.75	275,000	-	-	275,000
18/05/2018	18/05/2021	$0.65	861,250	-	(861,250)	-
16/11/2017	15/11/2020	$0.31	35,000	-	(35,000)	-
27/09/2017	27/09/2020	$0.45	1,000,000	-	(1,000,000)	-
			2,721,250	**-**	**(1,896,250)**	**825,000**

30-Jun-20

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
07/09/2019	24/03/2023	$1.75	-	550,000	-	550,000
07/09/2019	28/02/2023	$1.75	-	275,000	-	275,000
18/05/2018	18/05/2021	$0.65	1,000,000	-	(138,750)	861,250
7/05/2018	7/05/2021	$0.45	1,000,000	-	(1,000,000)	-
16/11/2017	11/15/2020	$0.31	192,500	-	(157,500)	35,000
27/09/2017	27/09/2020	$0.45	2,000,000	-	(1,000,000)	1,000,000
19/01/2017	19/01/2020	$0.40	2,000,000	-	(2,000,000)	-
			6,192,500	**825,000**	**(4,296,250)**	**2,721,250**

16. Accumulated Losses

	2021 $	2020 $
Balance as at the beginning of the period	(41,268,546)	(30,734,818)
Loss for the accounting period	(34,297,184)	(12,298,887)
Transfer from share reserve on exercise of options	337,503	1,765,159
	(75,228,227)	**(41,268,546)**

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021
continued

17. Commitments

The Consolidated Entity had no capital commitments as at 30 June 2021 and 30 June 2020.

18. Contingencies

The Consolidated Entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

19. Loss Per Share

	2021 $	2020 $
Net loss for the year attributable to ordinary shareholders	**(34,297,184)**	**(12,298,887)**

	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	204,897,772	201,106,450
Adjustments for calculation of diluted loss per share:		
Options over ordinary shares	825,000	2,721,250
Weighted average number of ordinary shares used in calculating diluted loss per share	205,722,772	203,827,700

	Cents	Cents
Basic loss per share	(0.1674)	(0.0612)
Diluted loss per share	(0.1674)	(0.0612)

20. Financial Instruments Disclosure

The Consolidated Entity'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 9 as detailed in the accounting policies of these Financial Statements, are as follows:

	2021 $	2020 $
Financial assets		
Current		
Cash and cash equivalents	71,034,983	103,922,241
Trade and other receivables	8,507,640	3,509,777
Term deposits	46,200	746,200
	79,588,823	**108,178,218**
Financial liabilities		
Current		
Trade and other payables at amortised cost	3,770,534	2,784,324
Lease liabilities	134,616	124,731
	3,905,150	**2,909,055**
Non-current		
Lease liabilities	617,225	748,958
	617,225	**748,958**

Financial Risk Management Objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Risk management is carried out by Senior Finance Executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Consolidated Entity's operating units. Finance reports to the Board on a monthly basis.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Consolidated Entity's income and expenses or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Equity Price Risk

The Consolidated Entity is currently not subject to equity price risk movement.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest-bearing financial assets and liabilities that the Consolidated Entity uses. Interest-bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets and investment decisions are governed by the monetary policy.

During the year, the Consolidated Entity had no variable rate interest-bearing liability.

It is the Consolidated Entity's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

Credit Risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Consolidated Entity's receivables from customers and investment securities.

The Consolidated Entity does not presently have customers and consequently does not have credit exposure to outstanding receivables. Trade and other receivables represent GST refundable from the Australian Taxation Office and R&D Tax incentive claims. Trade and other receivables are neither past due nor impaired.

Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility. The Consolidated Entity's exposure to financial obligations relating to corporate administration and projects expenditure, are subject to budgeting and reporting controls, to ensure that such obligations do not exceed cash held and known cash inflows for a period of at least 1 year.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

continued

20. Financial Instruments Disclosure continued

Remaining Contractual Maturities

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2021	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest-bearing						
Trade payables	-	3,770,534	-	-	-	3,770,534
Other payables	-	-	-	-	-	-
Interest-bearing – fixed rate						
Lease liability	4.70%	134,661	147,732	469,448	-	751,841
Total non-derivatives		**3,905,195**	**147,732**	**469,448**	**-**	**4,522,375**

Consolidated – 2020	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest-bearing						
Trade payables	-	2,747,735	-	-	-	2,747,735
Other payables	-	36,589	-	-	-	36,589
Interest-bearing – fixed rate						
Lease liability	4.70%	124,731	124,731	624,227	-	873,689
Total non-derivatives		**2,909,055**	**124,731**	**624,227**	**-**	**3,658,013**

Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents and non-interest-bearing financial assets and financial liabilities of the Consolidated Entity is equal to their carrying value.

Foreign Currency Risk

The carrying amount of the Consolidated Entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities	
	2021 $	2020 $	2021 $	2020 $
US dollars	5,327,662	-	929,761	346,249
	5,327,662	**-**	**929,761**	**346,249**

The Consolidated Entity's exposure to currency risk has increased in FY21 mainly associated with clinical development costs for osteoarthritis. To help manage AUD:USD exposure management has implemented a forward contract process where forecasted USD expenditure is covered by forward contracts. The forward period is up to 6 months at 75% cover of forecasted expenditure. As at 30 June 2021 US$6M of forward contracts are in place, with settlement between August 2021 and October 2021. Average rate for these contracts is 0.7844.

The consolidated entity had net assets denominated in foreign currencies of US$4.3m as at 30 June 2021 (2020: US$346K). Based on this exposure, had the Australian dollar weakened by 10% / strengthened by 10% against these foreign currencies with all other variables held constant, the Consolidated Entity's profit before tax for the year would have been $430k lower/$430k higher (2020: $34K lower / higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual unrealised foreign exchange gain for the year ended 30 June 2021 was $313K (2020: loss of nil).

Commodity Price Risk

The Consolidated Entity's exposure to price risk is minimal at this stage of the operations.

21. Related Parties

Receivable from and payable to related parties

The following transactions occurred with related parties:

	Consolidated	
	2021 $	2020 $
Payments for legal services provided by Biomeltzer, which Amos Meltzer is also a director of.	$20,998	Nil

Current payables:

	Consolidated	
	2021 $	2020 $
Trade Payables – BioMeltzer	$3,762	Nil

Loans to or from related parties:

There were no loans to or from related parties at the time of current and previous reporting dates.

Terms and conditions:

All transactions were made on normal commercial terms and conditions and at market rates.

Parent Entity

The Parent Entity is Paradigm Biopharmaceuticals Limited.

Controlled Entities

Interests in controlled entities are outlined in note 22.

In the Financial Statements of the Consolidated Entity, investments in subsidiaries are measured at cost. All entity interests held are fully paid ordinary shares or units.

The consolidated Financial Statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

22. Controlled Entities

		Ownership interest	
Name	Principal place of business	2021 %	2020 %
Paradigm Health Sciences Pty Ltd	Australia	100.00%	100.00%
Xosoma Pty Ltd	Australia	100.00%	100.00%
C4M Pharmaceuticals Pty Ltd	Australia	100.00%	100.00%
Paradigm Biopharmaceuticals (Ireland) Limited	Ireland	100.00%	100.00%
Paradigm Biopharmaceuticals (USA) Inc.	USA	100.00%	100.00%

Subsidiaries

An inter-company loan exists between Paradigm Biopharmaceuticals Limited (Parent) and Paradigm Health Sciences (Subsidiary) of amounts owing to Paradigm Biopharmaceuticals Limited $334,061 (2020: $334,061). An inter-company loan has been advanced by Paradigm Biopharmaceuticals Limited (Parent) to Paradigm Biopharmaceuticals (USA) Inc.(Subsidiary) in the amount of $13,867,445 (2020: Nil).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

continued

23. Parent Entity Disclosures

In accordance with the Corporations Act 2001, these Financial Statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in Note 22.

Set out below is the supplementary information about the Parent Entity.

	2021 $	2020 $
Statement of profit or loss and other comprehensive income		
Loss after income tax	**(23,516,376)**	**(12,298,887)**
Statement of financial position		
Total current assets	77,519,751	108,807,266
Total Assets	**94,702,604**	**112,573,536**
Total current liabilities	4,734,618	3,396,366
Total Liabilities	**5,460,052**	**4,145,324**
Total Equity	**89,242,552**	**108,428,212**

There are no guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries.

Contingent Liabilities

The Parent Entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital Commitments

The Parent Entity had no capital commitments as at 30 June 2021 and 30 June 2020.

Significant Accounting Policies

The accounting policies of the Parent Entity are consistent with those of the Consolidated Entity.

24. Reconciliation of Cash Flows Provided by Operating Activities

	2021 $	2020 $
Loss for the year	**(34,297,184)**	**(12,298,887)**
Depreciation and amortisation	210,059	213,118
Foreign exchange unrealised losses	(313,266)	-
Share-based payment	3,206,309	1,277,504
Change in operating assets and liabilities		
(Increase)/decrease in trade receivables	(5,048,698)	22,450
(Increase)/decrease in other receivables	50,835	-
(Increase)/decrease in other assets	(1,196,368)	(55,267)
(Increase)/decrease in payables	2,202,116	751,025
(Increase)/decrease in provisions	256,712	-
Net cash used in operating activities	**(34,929,485)**	**(10,090,057)**

25. Non-cash Investing and Financing Activities

	2021 $	2020 $
Additions to the right-of-use assets	-	967,258
Leasehold improvements – lease make good	3,625	88,228
Shares issued/to be issued under Employee Share Plan	3,206,309	490,936
Options issued to third party under the share-based payment arrangement	-	786,568
	3,209,934	**2,332,990**

26. Changes in Liabilities Arising from Financing Activities

Consolidated	2021 $	2020 $
Balance at the beginning of the period	873,688	-
Net cash used in financing activities	(121,847)	(93,569)
Acquisition of leases	-	967,257
Balance at at the end of the financial year	**751,841**	**873,688**

27. Events Subsequent to Reporting Date

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and 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 30 June 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.

28. Key Management Personnel Remuneration Disclosures

The aggregate remuneration made to Directors and other members of Key Management Personnel of the Consolidated Entity is set out below:

	2021 $	2020 $
Short-term employee benefits	1,936,044	834,448
Post-employment benefits	125,888	79,273
Long-term employee benefits	18,089	12,850
Share-based payments	728,043	-
	2,808,064	**926,571**

In FY21 KMP include Mr. Paul Rennie and Dr. Donna Skerrett. KMP for FY20 included Mr. Rennie only.

29. Auditor's Remuneration Note

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company.

	2021 $	2020 $
Audit services – RSM Australia Partners		
Audit or review of the Financial Statements	67,500	64,162
	67,500	**64,162**
Other services – RSM Australia Partners		
Preparation of the tax return and other tax matters	14,350	21,821
R&D Tax incentive claim	164,608	104,437
	178,958	**126,258**
	246,458	**190,420**

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

continued

The Audit and Risk Management Committee (comprising of 3 Independent Non-Executive Directors) oversee the management of spend on audit services and non-audit services provided by RSM. Non audit fee's incurred with RSM relate to the preparation of the Company's annual tax return and the Company's R&D Tax Incentive Claim.

Over the past number of years, as Paradigm's R&D portfolio increased with projects in research, pre-clinical and clinical development, the R&D spend has increased, including spend on projects in Australia and overseas. This has added some complexity to the R&D Tax Incentive Claim that is reflected by an increase in fees.

Fees for R&D Tax Incentive Claim preparation are on a time and materials basis they are not linked to the value of the claim. Despite the fee increase in FY21 by $60K or 57%, the Audit and Risk Management Committee, having taken Into account the Increase In complexity of the claim, the fact that the professional services were calculated on a time and cost basis and the timing and the changing of the service providers, was comfortable with continued independence of RSM as auditors of the Consolidated Group.

Notwithstanding this, the Audit and Risk Management Committee has reviewed the provision of non-audit services for FY22 decided to appoint PricewaterhouseCoopers (PwC) as the Paradigm's Global Tax provider for FY22 and for ongoing income tax compliance, transfer pricing advice and other tax advice that may be required from time to time. In FY21 Paradigm incurred costs of $24K with PwC for provision of tax advice on transfer price. Once the R&D Tax Incentive Claim is lodged for FY21 (for which work has mostly been completed), the Audit and Risk Management Committee will then consider which non-audit service provider to engage for R&D services.

30. Income Tax Expense

	2021 $	2020 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(34,297,184)	(12,298,887)
Tax at the statutory tax rate of 26%	(8,917,268)	(3,382,194)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	54,615	58,607
Entertainment expenses	1,638	250
Share-based payment	833,640	351,314
Employee benefits	66,745	37,210
Foreign exchange gains	(24,013)	(3,125)
Loss from US subsidiary	(540,870)	
Current year tax losses not recognised	(8,525,513)	(2,937,938)
Income tax expense	-	-
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	25,764,675	17,239,163

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised against future taxable income if the continuity of ownership test is passed, or failing that, the same business test is passed.

Directors' Declaration

In the Directors' opinion

(a) the Financial Statements and notes thereto and the Remuneration Report contained in the Directors' Report are in accordance with the *Corporations Act 2001* and other mandatory professional reporting requirements:

(b) the attached Financial Statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the Financial Statements;

(c) the attached Financial Statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

(d) 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 2001* for the financial year ended on 30 June 2021.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Paul Rennie
Interim Chairman

Dated at Melbourne, Victoria this 26th day of August 2021.

Independent Audit Report

RSM Australia Partners
Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199
www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT
To the Members of Paradigm Biopharmaceuticals Limited

Opinion

We have audited the financial report of Paradigm Biopharmaceuticals Limited (the Company), and its subsidiaries (the Consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Consolidated entity 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 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit 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* (the Code) that are relevant to our audit of the 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Impairment of Intangible Assets Refer to Note 6 in the financial statements	
The Consolidated entity has intangible assets of $2,947,588 relating to Patent costs for ongoing respiratory projects in the development of numerous biopharmaceutical drugs. These are subject to an annual impairment test, as they are not yet available for use. We identified this area as a key audit matter due to the size of the intangible assets balance and because the directors' assessment of the 'value in use' of the cash generating unit ("CGU") involves judgements about the future underlying cash flows of the business and the discount rates applied to them. For the year ended 30 June 2021 management have performed an impairment assessment over the intangible assets balance by: • Assessing for each related project the success to date in line with agreed milestones including any clinical trial data; and other statistical test results; • Assessing additional funding to be spent on the projects and the plan going forward including the use of the Patent for other purposes; and • Calculating the value in use for the respiratory project using a discounted cash flow model. The model used cash flows (revenues and expenses) for the project for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Consolidated entity's weighted average cost of capital (WACC).	Our audit procedures in relation to management's assessment of impairment included: • Assessing management's determination that the respiratory asset should be allocated to a single CGU based on the nature of the Consolidated entity's business and the manner in which results are monitored and reported; • Assessing the overall valuation methodology used to determine the value in use; • Challenging the reasonableness of key assumptions, including the cash flow projections, revenue growth rates, discount rates, and sensitives used; • Checking the mathematical accuracy of the cash flow model, and reconciling input data to supporting evidence and considering the reasonableness the supporting documentation; • Reviewing the accuracy of disclosures of critical estimates and assumptions in the financial statements in relation to the valuation methodologies; and • Reviewing announcements to date in relation to the details of current developments and results of the respiratory projects.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated entity's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Audit Report
continued

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated entity's to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated entity's or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Paradigm Biopharmaceuticals Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities
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.

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 26 August 2021
Melbourne, Victoria

Shareholder Information

Details of shares and options as at 11 August 2021:

Top Holders

The 20 largest holders of each class of equity security as at 11 August 2021 were:

Fully Paid Ordinary Shares

Name	Number of Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,484,777	8.92%
KZEE PTY LTD <KZEE SUPERANNUATION FUND A/C>	10,781,467	4.70%
PAUL JOHN RENNIE	8,230,400	3.58%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	4,349,240	1.89%
NANCY EDITH WILSON-GHOSH <GHOSH FAMILY A/C>	3,860,835	1.68%
CITICORP NOMINEES PTY LIMITED	3,852,323	1.68%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,594,952	1.57%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,571,937	1.56%
MR EVAN PHILIP CLUCAS + MS LEANNE JANE WESTON <KURANGA NURSERY SUPER A/C>	2,627,913	1.14%
V REDFORD PTY LTD <REDFORD S/F A/C>	2,423,500	1.06%
MR BRETT LANGAN	2,303,432	1.00%
MJGD NOMINEES PTY LTD <BSMI A/C>	1,983,849	0.86%
BNP PARIBAS NOMS PTY LTD <DRP>	1,871,447	0.82%
JGM INVESTMENT GROUP PTY LTD <MUCHNICKI FAMILY A/C>	1,737,408	0.76%
MS LENNA YU LING TYE	1,521,631	0.66%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	1,512,100	0.66%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,285,072	0.56%
TEN LUXTON PTY LTD <ABOTOMEY S/F A/C>	1,200,000	0.52%
VIEW 26 PTY LTD <VIEW 26 A/C>	1,150,050	0.50%
HOT SPRINGS SUPERANNUATION PTY LIMITED <HOT SPRINGS P/L S/F A/C>	1,132,910	0.49%
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES	**79,475,243**	**34.61%**
Total Remaining Holders Balance	**150,130,555**	**65.39%**

Distribution Schedules

A distribution of each class of equity security as at 17 August 2020:

Fully Paid Ordinary Shares

Range	Total holders	Units	% of Issued Capital
1 - 1,000	5,385	2,836,054	1.24
1,001 - 10,000	7,331	28,783,825	12.54
10,001 - 100,000	2,131	60,187,234	26.21
100,001 - 500,000	176	35,339,154	15.39
500,001 - 1,000,000	28	20,617,642	8.98
1,000,001 - 20,000,000	22	61,357,112	26.72
20,000,001 Over	1	20,484,777	8.92
Total	**15,074**	**229,605,798**	**100.00**

Shareholder Information
continued

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 Consolidated Entity, are set out below:

Substantial shareholder	Number of Shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,484,777
PAUL RENNIE AND RELATED COMPANIES	20,109,222
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	4,349,240
NANCY EDITH WILSON-GHOSH <GHOSH FAMILY A/C>	3,860,835
CITICORP NOMINEES PTY LIMITED	3,852,323

Unmarketable Parcels

Holdings less than a marketable parcel of ordinary shares (being 269 shares at 11 August 2021):

Holders	Units
1,226	216,745

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 (Consolidated Entity) are committed to conducting the business of the Consolidated Entity in an ethical manner and in accordance with the highest standards of corporate governance. The Consolidated Entity 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 Consolidated Entity's operations.

This Corporate Governance Statement is accurate and up to date as at 30 June 2021 and has been approved by the Board on 26 August 2021.

The Corporate Governance Statement is available on the Consolidated Entity's website at:

www.paradigmbiopharma.com/investors/corporate-governance

Corporate Directory

Directors

Mr Paul Rennie
Managing & Executive Director

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

Mr Christopher Fullerton
Non-Executive Director
(Resigned on 19 November 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

www.paradigmbiopharma.com

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