Paranta Biosciences Limited
ACN 141 027 107
576 Swan Street
Richmond, VIC 3121
T (03) 9208 4176

31 July 2012

Dear Shareholder

SHAREHOLDER UPDATE – JULY 2012

We are writing to provide you with a brief update on our progress as well as outlining some of our plans for the coming months.

Since our last Shareholder Update in September 2011, the Board and management have increased our confidence in the outlook for the Company and we are pleased to report:

- The Company remains on schedule to commence a Phase 1 clinical trial in mid 2014, making excellent progress on cell line development and the appointment of a biopharmaceutical manufacturing partner is imminent;
- Exciting results have been generated by Professor Robyn O'Hehir and her research group using follistatin in a transgenic mouse model of Cystic Fibrosis;
- A research consortium led by Monash University, including The Alfred Hospital and Paranta, has been selected from an international field of applications to receive support from Cystic Fibrosis Australia; and
- The Company's IP portfolio has been strengthened with the granting of a second patent, the filing of two new patent applications, and securing exclusive rights and title to the Fibrosis patent family at no additional cost to Paranta (this patent family had previously been jointly owned with Beckman Coulter, Inc.).

Therapeutic Focus & Lead Indication

The treatment of respiratory diseases was identified as the Company's therapeutic focus area in our September 2011 Update. This market provides a huge opportunity for the Company with the 2010 global market for pulmonary therapeutics estimated at US$30 billion[1].

[1] Respiratory Disorders Therapeutics Market to 2017, GBI Research, September 2011

Within respiratory diseases, we have refined our focus by targeting Cystic Fibrosis (CF) as the Company's lead clinical indication. CF is a recessive genetic disorder. Sufferers exhibit mucus build up in the lungs leading to a cycle of chronic, persistent infections causing fibrosis and airway remodelling. Approximately 1 in 2,500 babies in Australia are born with CF and the median life expectancy for adult CF sufferers is approximately 37 years with most dying from respiratory failure.

As an indication of the potential value of the CF segment to Paranta, US company Vertex Pharmaceuticals Inc. (Nasdaq:VRTX) recently announced interim results of a Phase 2 clinical trial of their drug intended for patients having the most common genetic form of CF. Within 4 days of the announcement on 4 May 2012, Vertex's market capitalisation increased by approximately US$5.5 billion.

Manufacture of Clinical Grade Follistatin

In November 2011, the Company entered into a contract with a major US firm for the development of a follistatin cell line for use in the manufacture of clinical grade follistatin. This development project is progressing on schedule and importantly (from a manufacturing cost perspective), results to date indicate the productivity of the follistatin cell line that we will transfer into manufacturing is likely to exceed our target specification.

The Company has identified a preferred biopharmaceutical manufacturing partner and we are striving to finalise contracts with this contract manufacturer by the end of September 2012. This will enable the Company to manufacture non-clinical grade follistatin for pre-clinical toxicology studies in the third quarter of 2013, and clinical grade follistatin for Phase 1 clinical trials in the second quarter of 2014.

In our September 2011 Update, we reported that the Company was seeking proposals from local research groups to re-design our follistatin purification process. In October 2011, Paranta contracted CSIRO to undertake this project. The project is progressing on schedule for successful completion in August. This will enable Paranta to transfer an industrially scalable purification process to our biopharmaceutical manufacturer as soon as contracts are finalised, and without delaying cGMP[2] manufacturing scale-up activities.

Preclinical Research Program

Paranta has undertaken a number of studies in animal models of lung diseases since our September 2011 Update. The most significant of these studies was by a Monash University group, based at The Alfred Hospital and led by Professor Robyn O'Hehir (Director - Allergy, Immunology and Respiratory Medicine Department)

[2] cGMP refers to *current Good Manufacturing Practice* regulations enforced by regulatory agencies such as the Food and Drug Administration (FDA) in the US governing the manufacture of medicinal products.

investigating the efficacy of follistatin treatment in a transgenic mouse model of Cystic Fibrosis (CF). The study showed follistatin treatment significantly increased survival rates of the CF mice. This represents an exciting and important finding in the treatment of CF. The study also showed that follistatin treatment had a pronounced effect on a number of biological markers (cytokines) associated with the disease. We are currently in the process of scoping an additional study with Professor O'Hehir's group to generate data to support the design of our preclinical toxicology program.

In addition to studies in animal models of lung disease, the Company also completed an initial pharmacokinetic study of follistatin in rats. This study successfully compared three different preparations of follistatin and has provided the Company with useful pharmacokinetic data.

Toxicology and Phase 1 Clinical Trial Planning

The Company has made significant progress in defining the pathway to Phase 1 clinical trial. Our Phase 1 trial will be performed in Australia under the CTN[3] scheme on healthy volunteers and will generate safety and tolerability data capable of supporting indications of follistatin in multiple respiratory diseases. We have recently engaged the services of two highly credentialed US consultants covering pharmacokinetics (& drug metabolism) and toxicology to assist with the design of preclinical studies as we move toward a Phase 1 clinical trial. We have also engaged the services of a local consultant to assist on regulatory matters. Our aim is to commence formal toxicology studies in the third quarter of 2013 and a Phase 1 clinical trial in mid 2014.

Intellectual Property

The Company is continuing to consolidate and enhance our IP portfolio with several significant developments during the period:

- The Company obtained exclusive rights and title to the Fibrosis patent family at no additional cost to Paranta. This family had previously been co-owned with Beckman Coulter, Inc. and covers the use of follistatin in the treatment of hyperproliferative and inflammatory fibrotic disease including pulmonary fibrosis, interstitial lung disease, inflammatory bowel disease, and liver fibrosis.

- The Company's second patent was granted by the Australian Patent Office. This patent is a member of the Fibrosis family and has broad claims covering the use of follistatin in the treatment of the aforementioned diseases.

[3] CTN refers to the *Clinical Trial Notification* scheme for conducting clinical trials in Australia.

- The Company filed two new Australian provisional patent applications; one relating to the use of follistatin in treating a respiratory disease, and the other relating to organ transplantation.

- The Company encountered several setbacks in the prosecution of our two patent applications in the US. Prosecution of these applications is ongoing and we are hopeful that at least one application will proceed to grant. Prosecution of our applications in other jurisdictions is also ongoing.

Funding Update

The Company is working on a range of strategies relating to funding. Since our last Update in September 2011:

- The Company was involved in an application for a major new 5-year CF research initiative sponsored by Cystic Fibrosis Australia (CFA) in collaboration with Cystic Fibrosis Western Australia. The initiative sought proposals for projects with potential to significantly advance the care and treatment of CF with applications reviewed by an international panel of scientific experts.

  We are delighted to announce that our application (led by Monash University and including The Alfred Hospital) for the development of a follistatin biotherapeutic for CF was successful. Whilst details of CFA's support have not yet been defined, we are delighted by the prospect of having CFA's support as we move forward.

- The Company submitted an application to AusIndustry to have the overseas component of our R&D expenditure qualify for the new *R&D Tax Incentive* program. If successful, the Company will receive a rebate of $0.45 for every $1.00 spent on eligible overseas R&D activities.

Notice of 2012 Annual General Meeting

The Company's AGM of Shareholders has been scheduled for:

10:00 am - 12:00 pm Tuesday 13 November 2012
The Auditorium
Melbourne Institute of Plastic Surgery
253 Wattletree Road
Malvern, VIC

A separate Notice of AGM and copy of the Company's 2012 annual report will be distributed to shareholders approximately 1 month before the AGM.

In conclusion, excellent progress has been made across a number of fronts. The Board and management are excited by the potential offered by follistatin treatment in our lead indication, and we are committed to proceeding to human trials in the fastest, safest and most commercially appropriate manner. If you require additional information, we invite you to contact either of the undersigned or visit the Company's website www.parantbio.com.

Kind regards

Peter Jonson
Chairman
peter.jonson@parantabio.com

Ross Barrow
Chief Executive Officer
ross.barrow@parantabio.com