paranta
biosciences

ABN 75 141 027 107

23 August 2014

SHAREHOLDER UPDATE - AUGUST 2014

Dear Shareholder

We are delighted to report that the Company has made significant progress since our last update. The following provides a summary of progress during this period as well as outlining some of our upcoming plans.

Capital raising successfully completed & new director appointed

The Company closed its most recent raising at just over $3 million. A small number of new shareholders have been added to the register however most of the raising came from the Company's existing shareholder base.

Paranta now has sufficient funds to undertake a Phase I clinical trial. Early in 2015 the Company will review its funding requirements for a Phase IIA clinical trial. It is possible a small amount of further funding may be needed to meet all contingencies.

Following the raising, the Company appointed Mr Austin Miller as an interim director to its Board. Mr Miller has agreed to take this role pending a long term replacement for him being appointed. He has extensive experience in the global commercial and investment banking sectors and the Board is delighted with Austin's appointment at this critical time as the Company transitions from a small, early stage preclinical firm to a fully-fledged clinical stage development company. Austin's appointment came into effect on 15 August 2014.

Follistatin drug manufacturing progressing well

As previously reported, the Company had encountered a number of serious challenges in the development of manufacturing processes for follistatin.

We are therefore thrilled to report that excellent progress has been achieved over the past six months. All significant manufacturing issues have been addressed and validated at small scale by our contract manufacturer Patheon Biologics (formerly known as DSM Biologics) in the Netherlands.

The manufacturing technology has been transferred into Patheon's new cGMP biopharmaceutical facility in Brisbane with production of two large scale batches currently underway. The first of these batches will be completed in mid-September. Currently, all key performance indicators for the first batch are tracking more favourably than the best-performed of the small-scale bioreactors in the Netherlands.

Detailed planning to commence for Phase I/IIA clinical trial of inhaled follistatin therapeutic for respiratory diseases

Follistatin from the first large scale batch mentioned above will be sent to a North American contract research organisation (CRO) in September for use in the Company's preclinical (animal) inhalation safety and toxicology studies. The CRO, a recognized global leader in preclinical inhalation studies, has commenced preliminary work with testing of animals scheduled to commence in October.

In September, the Company will start detailed planning activities for a Phase I/IIA clinical trial. As previously reported, the clinical trial will be performed in Australia and enrol healthy male volunteers to assess the safety, tolerability and pharmacokinetics of inhaled follistatin therapy over a two week treatment period. The Company also intends to include a cystic fibrosis patient cohort in the trial to assess exploratory measures of drug efficacy. The expected start date for the trial is mid-2015.

Intellectual property position strengthened

The Company continues to make excellent progress in strengthening its intellectual property portfolio with 19 patents now granted (covering Europe, United States, Canada and Australia). Further grants are anticipated in the next 12 months.

The Company recently entered national phase prosecution of its 'mucus hypersecretion' patent application in Australia, Brazil, Canada, China, Europe and the United States.

The Company also has several new patent applications at international PCT and Australian provisional stages.

Secondary programs with licensing/partnering potential

Whilst the Company's primary focus is the development of an inhaled follistatin therapeutic for the treatment of lung diseases, the Company is also progressing a number of activities which we believe will provide future licensing and partnering opportunities.

Follistatin organ preservation solution: The Company has completed its preclinical study using an ischemia reperfusion injury model of lung transplantation in greyhound dogs. The study was undertaken by Professor Franklin Rosenfeldt and his cardiothoracic surgical team at The Alfred. The study showed that the addition of follistatin to the market leading lung preservation solution resulted in a significant improvement in the performance of the preservation solution (as evidenced by reducing the injury to the lung caused by the transplantation process). The results are compelling. Expressions of interest will be sought from companies known to be active in the organ preservation/transplantation market to further develop and commercialise a follistatin-based organ preservation product over the coming weeks.

Topical application of follistatin for wound healing: Discussions have recently commenced with a third party regarding a licensing and supply agreement. Shareholders will be kept informed of any material developments on this matter.

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Chronic fatigue syndrome (myalgic encephalomyelitis): As previously reported, the Company filed an Australian provisional patent application covering a diagnostic for detecting and monitoring chronic fatigue syndrome (a world first) and a therapeutic for treating the condition (another world first). The Company has decided to hold off approaching potential licensees and development partners for this technology until enabling data are obtained to support the therapeutic claims in the provisional patent application. To this end, the Company, through its research collaborators at the Australian National University and Monash University, has submitted an application for a two year research grant to progress this work. We expect to know if our grant application is successful by October.

Annual General Meeting (AGM)

The Company's AGM of shareholders is scheduled for:

10:00 AM on Tuesday 11 November 2014
The Auditorium
Melbourne Institute of Plastic Surgery
253 Wattletree Road
Malvern, Victoria

A formal notice and agenda for the AGM along with a copy of the Company's annual report for year ended 30 June 2014 will be distributed to shareholders in early October.

We look forward to seeing you at the AGM however if you are unable to attend, please feel free to contact either of the undersigned at any time.

Kind regards,

Peter Jonson
Chairman
peterdjonson@gmail.com

Ross Barrow
Chief Executive Officer
ross.barrow@parantabio.com
0418-177-789