ABN 75 141 027 107

25 May 2015

SHAREHOLDER UPDATE - MAY 2015

Dear Shareholder

We are writing to provide you with a brief update on the excellent progress Paranta has made in a number of areas over the past six months and a summary of the Company's plans for the next six months, including plans for a Rights issue to raise $5 million dollars in June - July of this year.

Since our last update at the Annual General Meeting in November 2014, we are delighted to report the following significant achievements:

- **Preclinical safety and toxicology studies for inhaled follistatin were completed on schedule with exceptionally good results.**
- **Planning for the Company's first-in-human Phase I clinical study of inhaled follistatin for diseases characterised by increased numbers of neutrophils in the lungs which include cystic fibrosis, is progressing on schedule with first dosing in September 2015.**
- **Paranta has secured exclusive rights to develop and commercialise potentially transformative technology relating to the use of follistatin as an adjuvant in the globally significant chemotherapy market. Initial studies have delivered exciting results.**
- **The Company was awarded a $250,000 Biopharmaceutical Development Fund grant by Biopharmaceuticals Australia to assist with the development of our follistatin manufacturing process.**
- **Paranta and our research collaborators at ANU and Hudson Institute of Medical Research (the merged Monash Institute of Medical Research and Prince Henry's Institute) were awarded a grant of approximately $250,000 from the Mason Foundation National Medical Program to progress our Chronic Fatigue Syndrome program.**

- **The Company has entered into a collaborative agreement with a Canadian clinical research group to evaluate follistatin for treating diabetic kidney disease and has also entered an agreement relating to a feasibility study in Israel investigating the transdermal delivery of follistatin.**

To support advancing these potentially highly valuable programs Paranta is planning to raise A$5m by way of a Rights Issue in June - July 2015.

Follistatin as a chemotherapy adjuvant – a potential major advance in treating cancer

Research by Professor Neil Watkins (Garvan Institute of Medical Research, Sydney) and Kieren Marini (Hudson Institute of Medical Research, Melbourne) has shown that follistatin dramatically sensitizes innately resistant cancer cells to platinum-based chemotherapies without affecting normal (non-cancer) cells.

These exciting results have been confirmed in two proof-of-concept animal studies which involved the transplantation of human lung cancer cells into mice. The studies showed that the tumours disappeared in 60% of the mice following treatment by a combination of follistatin and platinum chemotherapy (compared to 0% for mice treated with the chemotherapy or follistatin alone).

The research by Professor Watkins and his team represents a potential major advance in the multi-billion dollar market for treatment of cancers using platinum-based and potentially other alkylating chemotherapies which are the standard of care for many cancers including lung cancer, colorectal cancer, ovarian cancer and bladder cancer.

Paranta has obtained exclusive rights from the Hudson Institute of Medical Research to develop and commercialise this unique and potentially transformative technology with two patent applications filed in April.

On the strength of the preclinical efficacy results obtained to date and the commercial potential of the opportunity, the Company plans to fast-track development of the technology into clinic under the guidance of Professor Watkins and his team with the aim of commencing a Phase I clinical study in stage IV non-small cell lung cancer patients in late 2016.

As a chemotherapy adjuvant, follistatin will be administered to patients intravenously. As part of the preclinical safety and toxicology program for the Company's lead program (inhaled follistatin for neutrophilic lung diseases), we performed a pilot study involving the intravenous administration of a high dose of follistatin to rats and monkeys daily over 5 days. No adverse side effects were detected. We are therefore confident that intravenously administering follistatin as a chemotherapy adjuvant will be safe and well tolerated by patients.

Paranta's lead program (inhaled follistatin for neutrophilic lung diseases) has entered clinical development

The Company has successfully completed preclinical safety and toxicology studies for our inhaled follistatin drug for treating neutrophilic lung diseases. The studies were performed in Montreal, Canada and involved administration of aerosolized follistatin to rats and monkeys daily over 14 days. The results were exceptional with no follistatin-related adverse effects detected at any of the dose levels evaluated. We are therefore confident that inhaled follistatin will be a safe and well tolerated therapy for patients with lung disease.

Planning for Paranta's first-in-human Phase I clinical study is well advanced. The study will consist of 3 stages. Stages 1 and 2 are conventional designs for first-in-human Phase I studies. Primary endpoints for both stages relate to the safety and tolerability of our follistatin drug. Secondary endpoints relate to the pharmacokinetics of follistatin. Stages 1 and 2 will be performed at CMAX, one of Australia's leading Phase I clinical units located in Adelaide. Filing of the Ethics application for these stages is planned for June, with follistatin treatment beginning in September 2015.

Stage 3 describes a trial design which is becoming increasingly routine in Europe and North America to assess the anti-inflammatory properties of investigational pulmonary drugs. There is however no clinical site in Australia with experience in this type of trial. We are therefore planning to undertake Stage 3 at an experienced clinical site in the UK. Filings for regulatory approval for this Stage are tentatively set for September 2015, with follistatin treatment commencing in January 2016. At the end of Stage 3, Paranta expects to have 'exploratory endpoint' data showing the anti-inflammatory properties of follistatin in the lungs. Such data will then provide a solid base for the Company to proceed

to Phase II studies in cystic fibrosis patients (or indeed any other neutrophilic lung disease indication).

Manufacturing of clinical grade follistatin for use in the Phase I study is also well advanced. The material is currently being manufactured in accordance to cGMP regulations under contract by Patheon Biologics in their Brisbane facility. The material is scheduled for delivery to Paranta in late August.

Building a company of great value

Paranta has reached an exciting point in its short history. The Company is transitioning from a preclinical start-up to a clinical stage biopharmaceutical company. Our foundations are built on scientific excellence and the Company is continuing to expand its intellectual property (patent) portfolio and future product pipeline. Our strategy remains unchanged and focused on developing potentially transformative biotherapeutics based on follistatin and targeting poorly served indications with significant market potential.

The Company is planning to raise additional funds through a Rights issue in June - July 2015 to support our lead program (inhaled follistatin for neutrophilic lung diseases) and fast-track our second program (intravenous follistatin as a chemotherapy adjuvant). Funds from the Rights issue will also be used to build Paranta's corporate team to drive the value creation aspirations of the Company. Further information on the Rights issue will be communicated to you in the coming weeks.

To conclude, the Board and management are delighted by progress and achievements over the past 6 months and firmly believe the future prospects for the business are excellent.

Sincerely,

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