Paranta Biosciences Limited
ABN 75 141 027 107

SHAREHOLDER UPDATE

Melbourne, Australia 9 March 2017:

We are writing to update you on Paranta's development programs and the expected timing of key events.

- ⇒ **PB01 may have broader utility in cancer therapy, according to recent research**
- ⇒ **Phase I cystic fibrosis results expected in Q2 2017 due to technical issues, but mouse studies remain on track**
- ⇒ **Promising results from program addressing diabetic kidney disease, a significant commercial opportunity**
- ⇒ **Allowance of new European patent expands intellectual property portfolio**
- ⇒ **Capital raising postponed until late-2017 pending PB01 manufacturing delays**

Oncology Program

Paranta is developing an injectable form of PB01 as a novel therapy in cancer treatment.

The focus of Paranta's collaborative research program with the Hudson and Garvan medical research institutes has been on the development of PB01 as a novel agent for sensitizing non-small cell lung cancer (NSCLC) to platinum chemotherapies. Recent research however has implicated PB01's primary molecular target, activin, as a key mediator of several important mechanisms in cancer. This suggests that PB01 may have broader utility in cancer therapy than previously reported.

Our plan was to commence a Phase I clinical study in cancer patients in Q4 2017. We will be unable to achieve this schedule due to manufacturing-related issues which are discussed in more detail below. The Company will utilise this delay as an opportunity to undertake additional preclinical studies to improve our understanding of PB01's role in oncology more broadly.

PB01 Manufacturing

As reported at the Company's Annual General Meeting of shareholders in November 2016, a supplier withdrew supply of a key material used in the upstream manufacture of PB01. This has necessitated Paranta engaging a US contract research organisation to identify a suitable replacement material. We are very pleased to report that the project was successful. The transfer of the new upstream process from the contract research organisation to our manufacturer, Patheon Biologics (Patheon), will commence imminently.

The PB01 manufacturing process with the new upstream process needs to be re-qualified at small scale before we can proceed with manufacture of a large scale batch of PB01 for use in clinical studies. We have been advised by Patheon that they will not be in a position to complete manufacture of the next large scale batch until Q2 2018. We are currently exploring options to expedite PB01 manufacture with Patheon to minimize delays to our Oncology program. The respiratory program will not be affected as there is adequate existing inventory of PB01 for the planned CF clinical trial.

Respiratory Program

Paranta's Phase I LPS challenge study, undertaken at the Medicines Evaluation Unit in the United Kingdom, was completed in Q4 2016 and marked the completion of the Company's third clinical study. Results from the study were originally expected to be available in March 2017. Due to unforeseen technical issues with the analysis of sputum and blood samples, results from the study are now expected in Q2 2017.

The Company's cystic fibrosis (CF) mouse studies, being conducted at Case Western Reserve University (CWRU) in the US, are on schedule to report out in mid-2017. These studies are designed to evaluate the effect of inhaled PB01 (Paranta's unique version of recombinant human follistatin) on inflammation and infection resolution in CF. The studies are supported by a Therapeutics Development Award from the US Cystic Fibrosis Foundation Therapeutics, Inc. The Company's intention is to commence a clinical trial of inhaled PB01 in CF patients in Q4 2017, pending a favourable outcome from the CWRU studies.

Renal Program

In early 2015, Paranta commenced a collaborative research project with McMaster University in Canada. The project has focused on the use of PB01 to treat kidney damage caused by diabetes (diabetic nephropathy). Worldwide, there are approximately 420 million people with diabetes, of which about 35% develop diabetic nephropathy. Diabetic nephropathy is also the leading cause of end-stage renal disease, resulting in the need for dialysis or kidney transplantation. Existing treatments fail to halt disease progression for the majority of patients.

Results in a preclinical model of diabetes look very promising and the Company is keen to accelerate this program given the significant unmet clinical need and commercial opportunity. We look forward to sharing further information on this program after we file patent applications in the coming weeks.

European Patent Allowed

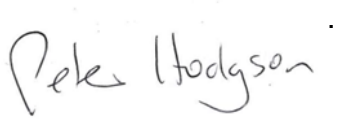
We are also pleased to report that Paranta's European patent application EP13791008.9 titled "*A method of treatment and agents useful for same – graft dysfunction*" has been allowed by the European Patent Office. The patent relates to the use of follistatin in organ transplantation and preservation and represents the continual growth of the Company's intellectual property portfolio.

Australian Capital Raise

The Company has decided to postpone its next capital raise until later in the year. The decision reflects Paranta's reduced need for capital due to anticipated delays in PB01 manufacture and the Oncology program. We expect to be able to provide further information on our intentions in mid-2017.

Overall we are encouraged by recent developments in our oncology and diabetic kidney disease programs, both of which represent compelling market opportunities. By mid-year we expect to have results from our cystic fibrosis program, which if positive, pave the way for a clinical trial in CF patients, representing an important milestone for Paranta.

Yours sincerely



Peter J.Hodgson
Chairman

Ross Barrow
Chief Executive Officer