**PARANTA BIOSCIENCES LTD**
**ABN: 75 141 027 107**

# FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

# PARANTA BIOSCIENCES LIMITED
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The directors present their report together with the financial report of Paranta Biosciences Limited for the financial year ended 30 June 2017 and auditor's report thereon. The financial report has been prepared in accordance with Australian Accounting Standards.

**Principal activities**

The principal activities of the Company during the financial year were related to the development and commercialisation of PB01 (Paranta's form of recombinant human follistatin) as a biotherapeutic drug for human use. There were no significant changes in the nature of these activities during the financial year.

**Results**

The net loss after income tax was $2,438,072 (2016 (restated): $2,898,232)

**Review of operations**

Paranta Biosciences is a clinical-stage biopharmaceutical company developing potentially transformative first-in-class biotherapeutics based on PB01, a unique form of recombinant human follistatin, targeting inflammatory, fibrotic and metabolic diseases with significant unmet need.

The Company is progressing three development programs:

(i) Respiratory – Inhalation of PB01 for treating cystic fibrosis lung disease

(ii) Oncology – Injection/infusion of PB01 for sensitizing cancers that are resistant to platinum chemotherapies

(iii) Nephrology – Injection of PB01 for treating chronic kidney disease caused by inflammation and fibrosis

The Company commenced operations in January 2011 with initial focus on generating preclinical data for the Respiratory program, developing the PB01 manufacturing process, and creating an intellectual property portfolio. In October 2014, the Company manufactured its first large scale batch of PB01. In May 2015, the Company acquired rights to new intellectual property relating to the sensitization of chemo-resistant solid tumours by follistatin and subsequently entered into a research collaboration with the Hudson Institute of Medical Research to develop the technology. At the same time, the Company commenced a relationship with researchers at McMaster University and their affiliated medical research institute, Research St Joseph's – Hamilton, to investigate the use of PB01 in a preclinical model of diabetic kidney disease. Preclinical safety and toxicology studies for the Respiratory program were completed in July 2015 leading to the Company's first Phase 1 clinical study which commenced in Australia in September 2015. The Company has since completed two further Phase 1 clinical studies for the Respiratory program with the most recent undertaken in the United Kingdom.

The Company intends to advance its Respiratory program to a Phase 2 clinical study in CF patients with nonclinical activities currently in progress in the US as part of this strategy. The focus of the Oncology program has shifted from research to preclinical development. A preclinical study in Germany and planning for an Australian Phase 1 clinical study in cancer patients are underway. Following promising results generated in a preclinical model of diabetic kidney disease, the Company has expanded its research collaboration with McMaster/St Joseph's in Canada to accelerate the Nephrology program.

The Company's strategy remains unchanged and focused on advancing our development programs to secure strategic partners. A key component of the strategy is to seek the support and involvement of key national and international patient advocacy organisations on each of the development programs to maximize the likelihood of successful outcomes. The Company will continue to invest in the expansion of its intellectual property portfolio and to pursue non-dilutive

grants and awards to supplement corporate resources. During the reporting period, both the Oncology and Nephrology programs were major beneficiaries of non-dilutive funds.

RESPIRATORY: Inhalation of PB01 for treating cystic fibrosis lung disease

- Positive safety outcomes for inhaled PB01, in healthy volunteers, across three Phase 1 clinical studies
- Compelling preclinical efficacy data in animal models of cystic fibrosis lung disease

This is the Company's lead program. It involves the development of inhaled PB01 as a first-in-class treatment for cystic fibrosis lung disease.

Cystic fibrosis (CF) is a life threatening genetic disease caused by mutations in the *CFTR* gene. The disease is characterized by excessive mucus, chronic inflammation and infection in the lungs leading to irreversible lung damage (bronchiectasis and fibrosis). Inflammation plays a critical role in the progression of CF lung disease. Currently there are no safe and effective anti-inflammatories approved for treating CF lung disease. The estimated market size for CF therapeutics in 2016 was US$2.9 billion.

Preclinical research has established PB01 as a safe and potent anti-inflammatory, anti-fibrotic and airway mucus inhibitor with potential to significantly enhance the standard of care available to patients with CF lung disease.

During the reporting period:

- The Company completed its third Phase 1 clinical study. The study was undertaken at the Medicines Evaluation Unit (Manchester, United Kingdom). Participants inhaled PB01 (or placebo) one hour prior to inhaling lipopolysaccharide (LPS), an agent which induced mild acute inflammation in the lungs. A total of 209 participants were screened for the study with 12 participants completing the study. PB01 treatment did not dampen the inflammatory response caused by inhaled LPS in this model of acute inflammation. PB01 was shown to be safe and well tolerated in the study with no Serious Adverse Events reported. It was also shown that inhaled PB01 remained in the lungs and did not enter the circulatory system (blood) at detectable levels.

- The Company commenced a nonclinical study at Case Western Reserve University (Cleveland, USA). The study was supported by a Therapeutics Development Award from Cystic Fibrosis Foundation Therapeutics, Inc. The study assessed the effect of inhaled PB01 on bacterial lung infection in a mouse model of CF. PB01 did not exacerbate or impair the clearance of the bacterial lung infection in this model. This was an important result as most adult CF patients suffer from chronic bacterial lung infections. The study also showed that inhaled PB01 was effective in modulating key markers of lung inflammation. The Company has now demonstrated benefit of inhaled PB01 in 2 different and clinically relevant mouse models of CF lung disease.

- The Company convened a series of meetings with its scientific and medical advisory boards to review the program and assist with defining the development pathway to a clinical study in CF patients. There was unanimous support for the Company to progress the program and, at the end of the reporting period, the Company had scheduled meetings with the US Cystic Fibrosis Foundation to seek guidance on the most appropriate development pathway for advancing to a Phase 2 clinical study in CF patients.

ONCOLOGY: Injection/infusion of PB01 for sensitizing chemo-resistant cancers

- ❖ Effectiveness of PB01 as a platinum-chemotherapy sensitizing agent demonstrated in multiple mouse models of non-small cell lung cancer (NSCLC)
- ❖ Biomarkers identified to assist with selection of patients most likely to benefit from combined PB01 plus platinum-chemotherapy
- ❖ Preclinical development activities and planning for an Australian Phase 1 clinical study in cancer patients commenced

This program involves the development of an injectable form of PB01 as a novel agent for sensitizing highly resistant cancers to platinum-based chemotherapies.

The global market for cancer drugs in 2016 was estimated to be US$100 billion with chemotherapies accounting for up to 20% of the total market. Platinum chemotherapies remain a key component in the treatment of many malignant epithelial tumours with approximately 50% of patients receiving a platinum-based drug during the course of their therapy. Despite their widespread use, platinum chemotherapies are limited by a substantial subset of cancers possessing resistance to the chemotherapy. Platinum chemotherapies also induce toxic side effects which limit the maximum dose of chemotherapy that can be administered to cancer patients. Nephrotoxicity (kidney damage) is the major dose-limiting toxicity for cisplatin, one of the most widely used platinum chemotherapies.

Research conducted by the Hudson Institute of Medical Research and the Garvan Institute of Medical Research have shown that PB01 dramatically sensitizes innately resistant lung cancers to platinum-based chemotherapies. Importantly, PB01 does not increase the sensitivity of healthy (non-cancer) cells to platinum chemotherapy. The research has also shown that PB01, in a cisplatin mouse model of nephrotoxicity, was highly effective in protecting the kidneys from damage caused by platinum chemotherapy.

During the reporting period:

- The Australian Government awarded the Garvan Institute and its industry partner, Paranta Biosciences, with a National Health and Medical Research Development Grant to progress the research and development of PB01 as a novel cancer therapeutic.
- The Company extended its research collaboration with the Hudson Institute to the end of 2017.
- Positive sensitization results were generated in cell-line derived, patient derived and syngeneic mouse models of platinum-resistant NSCLC.
- The Company commenced a preclinical dose-response study in Germany using a preclinical mouse model of platinum-resistant NSCLC (one of the models tested at the Hudson).
- The Company commenced preparing a clinical trial protocol for an open-label, dose escalation Phase 1 study of PB01 in patients with platinum resistant solid tumours.

NEPHROLOGY: Injection of PB01 for treating chronic kidney disease

- ❖ Potential of PB01 to reduce kidney damage and fibrosis in mouse model of diabetes demonstrated
- ❖ New patent application filed
- ❖ Collaborative research program in Canada expanded

This program involves the development of an injectable form of PB01 as a novel therapeutic agent

for use in the treatment of chronic kidney disease including diabetic nephropathy.

Kidney disease is a major comorbidity of diabetes affecting 150 million diabetic patients worldwide. Almost 40% of kidney failures in the US are attributed to diabetes. Current treatment options for diabetic nephropathy, a form of chronic kidney disease, are only partially effective with limited ability to delay disease progression.

Research conducted by McMaster University (McMaster) and their affiliated medical research institute Research St Joseph's – Hamilton (St Joseph's) have shown the therapeutic potential of PB01 in a preclinical mouse model of diabetic kidney disease and fibrosis.

Paranta commenced its collaboration with McMaster University, Canada in early 2015 with the research benefitting from the support of the Kidney Foundation of Canada and the Canadian Diabetes Association.

During the reporting period:

- The initial study in Canada investigating the therapeutic potential of PB01 in a mouse model of diabetic nephropathy was completed. PB01 was shown to be effective in protecting against the development and progression of kidney disease and fibrosis in this model following treatment over 12 weeks.
- The Company expanded its collaborative research program with McMaster and St Joseph's with additional preclinical studies underway and planned.

INTELLECTUAL PROPERTY (IP)

The Company continued to strengthen its intellectual property portfolio during the year with the following notable developments:

- ❖ Seven patent applications were granted or accepted; and
- ❖ An Australian provisional patent application filed on the nephrology (kidney) program

At the end of the reporting period, the Company had:

- 32 granted patents and 2 applications accepted for grant;
- 11 patent applications in national/regional phase prosecution; and
- 1 international (PCT) patent application and 1 Australian provisional patent application

BOARD & MANAGEMENT

Mr Peter J. Hodgson was appointed as a director and the Company's Chairman in September 2016. Prior to Mr Hodgson's appointment, Mr Austin Miller served as Acting Chairman following the retirement of the Company's founding Chairman, Dr Peter Jonson, in April 2016.

There were no other changes to the Company's board and management during the year.

FUNDING & GRANTS

The Company undertook no capital raising activities during the year.

The Oncology and Nephrology programs were major beneficiaries of research grants, received by the Company's research collaborators, during the year.

**Significant changes in the state of affairs**

During the financial year, net assets decreased from $7.67 million to $5.5 million. During the same period, the Company made significant and tangible forward progress towards developing PB01 as a biotherapeutic as well as consolidating and improving the Company's intellectual property assets.

**After balance date events**

The Company completed a feasibility study at the Baker Institute in Melbourne which demonstrated the effectiveness of PB01 in reversing cancer induced muscle loss in a mouse model of cancer cachexia.

There are no other significant events to report.

**Likely developments**

The Company will continue to pursue its operating strategy to create shareholder value.

Preparations for a capital raising event in 2018 are underway. Further details will be disclosed at the Company's Annual General Meeting in November 2017.

**Environmental regulation**

The Company's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

**Dividend paid, recommended and declared**

No dividends were paid, declared or recommended since the start of the financial year.

**Share options**

On 3 October 2016, the Company issued 150,209 options over ordinary shares to the non-executive directors with a combined value of $144,200. The options were granted under the Company's Employee Share Option Plan with an exercise price of $1.70 per share and an expiry date of 3 October 2021. The value of each option was determined by an independent accounting firm to be $0.96.

All of the 150,209 options granted were issued to the non-executive directors in lieu of salary for their services from 1 January 2016 to 30 June 2017.

Subsequent to year end, 75,485 options over ordinary shares were issued on 28 August 2017 to the non-executive directors (de Kretser and Raff) in lieu of salary for their services from 1 July 2016 to 30 June 2017 with a combined value of $72,466. The options were granted under the Company's Employee Share Option Plan with an exercise price of $1.70 per share, an expiry date of 28 August 2022 and valued at $0.96 per option.

**Shares issued on exercise of options**

No ordinary shares were issued during or since the end of the financial year as a result of the exercise of an option.

There are no amounts unpaid on shares issued on exercise of options.

**Indemnification and insurance of directors, officers and auditors**

During the financial year, the Company paid $14,400 as a premium for Directors and Officers Liability Insurance with 12 months cover from 31 May 2017. The insurance policy does not include external auditors.

**Proceedings on behalf of the company**

No person has applied for leave of Court to bring proceedings on behalf of the Company.

**Information on directors and company secretary**

The qualifications, experience and special responsibilities of each person who is or has been a director of Paranta Biosciences Limited at any time during the year ended or since 1 July 2016 are provided below, together with details of the company secretary as at the year end.

**Peter J. Hodgson** BA(Law), MA(Law), (Age 62)
Chairman, Non-executive director
Appointed 2 September 2016

*Mr Hodgson was the previous Group CEO of Myer Family Investments Pty Ltd, a private investment business owned by members of the Myer Family, with direct interests in wealth management, materials and food as well as a diversified portfolio across a range of asset classes, including venture capital. Prior to this position he was a senior executive within the ANZ Banking Group for over 10 years, with his last responsibilities being Group Managing Director, Institutional and a member of the ANZ Bank's Management Board.*

| | |
|---|---|
| Current directorships of listed companies: | *None* |
| Former directorships of listed companies in past 3 years: | *None* |

**David M. De Kretser, AC** MBBS, MD, FRACP, FAA, FTSE, HonLLD (Monash), HonLLD (Melbourne) (Age 78)
Chief Scientist, Non-executive director
Appointed 10 May 2011

*Professor de Kretser has a long and distinguished career in medical research. He has received international recognition for contributions to the field of reproductive science with a special interest in andrology. Until his retirement in August 2016, Professor de Kretser held the position of Sir John Monash Distinguished Professor (Monash University). He was the founding director of the Monash Institute of Reproduction and Development (now incorporated into the Hudson Institute of Medical Research). Professor de Kretser was Governor of Victoria (April 2006 to April 2011). He is a recipient of Australia's highest civilian honour (Companion of the Order of Australia) and is a co-inventor of the patent applications acquired by Paranta from ITFP Pty Ltd in 2010. Professor de Kretser chairs the Company's Scientific Advisory Board.*

| | |
|---|---|
| Current directorships of listed companies: | *None* |
| Former directorships of listed companies in past 3 years: | *None* |

**John W. Raff** Dip. AgSci, BSc, PhD (Age 68)
Non-executive director
Appointed 28 September 2010

*Dr Raff has successfully invested in and managed a wide range of innovation-based agricultural and pharmaceutical companies. He was the founding CEO and until June 2011 the Deputy Chairman of ASX listed Starpharma Holdings Ltd. He is also the Chairman and major shareholder of HealthFarm Fine Foods Pty Ltd, an integrated manufacturer of sesame and nut based products for domestic and international markets. He was previously the General Manager of the Biomolecular Research Institute and a former Chairman of the BioMelbourne Network.*

| | |
|---|---|
| Current directorships of listed companies: | *None* |
| Former directorships of listed companies in past 3 years: | *None* |

**Ross Barrow** BSc.Hons, MBA (Age 55)
Chief Executive Officer
Appointed 16 August 2011

*Mr Barrow is a senior executive with over 18 years of experience in the development and commercialisation of clinical and biotechnology products. This includes 10 years as COO and a Director of Vision BioSystems Limited. Following acquisition by Danaher Corporation, he played a pivotal role overseeing the global integration of the company with Danaher's subsidiary; Leica Microsystems GmbH. Prior to Vision, Mr Barrow spent 11 years with BHP. He joined Paranta in January 2011 and was appointed as a director in August 2011. Mr Barrow was previously a non-executive Director of ASX listed pharmaceutical company Acrux Ltd.*

| | |
|---|---|
| Current directorships of listed companies: | *None* |
| Former directorships of listed companies in past 3 years: | *Acrux Limited (ASX:ACR)* |

**Austin S.E. Miller** BSc, LLB, MBA (Age 56)
Non-executive director
Appointed 15 August 2014

*Mr Miller holds degrees in Science and Law from the University of New South Wales and a Master of Business Administration from the University of Melbourne. He has held senior investment banking positions with Merrill Lynch and HSBC James Capel and most recently was Executive General Manager Investment and Strategy at Oil Search Limited. In this role, Mr Miller also took on broad responsibility for business and commercial development in addition to managing the execution of a number of significant capital raisings. More recently his career has focused on the corporate side of the business including capital markets, M&A and strategy development and implementation.*

| | |
|---|---|
| Current directorships of listed companies: | *None* |
| Former directorships of listed companies in past 3 years: | *None* |

**Brendan E. Brown** B.Bus CA (Age 40)
Company secretary
Appointed 29 April 2011

*Mr Brown is a Chartered Accountant and partner of Prime Accounting & Business Advisory Pty Ltd [formerly MPR Group] with over 18 years of experience in the industry. He has worked with a range of businesses covering diverse industries to successfully support them in their financial and business advisory needs.*

**Directors' meetings**

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

| | Board of Directors | |
|---|---|---|
| | **Eligible to attend** | **Attended** |
| *Peter Hodgson* | 9 | 9 |
| *Austin Miller* | 12 | 12 |
| *David de Kretser* | 12 | 11 |
| *John Raff* | 12 | 12 |
| *Ross Barrow* | 12 | 12 |

**Directors' interests in shares or options**

Directors' relevant interests in shares of Paranta Biosciences Limited or options over shares in the Company (or a *related body corporate*) at 30 June 2017 are detailed below.

| **Directors' relevant interests in:** | **Ordinary shares of Paranta Biosciences Ltd** | **Options over ordinary shares in Paranta Biosciences Ltd** |
|---|---|---|
| *Peter Hodgson* | - | - |
| *Austin Miller* | 922,535 | 83,307 |
| *David de Kretser* | 618,368[(a)] | 158,594 |
| *John Raff* | 446,175 | 103,907 |
| *Ross Barrow* | 132,900 | 207,815 |

(a) Professor de Kretser also owns approximately 19.8% of ITFP Pty Ltd, a company that holds 2.5 million shares in Paranta Biosciences Limited. The number of shares reported in the table above excludes shares held indirectly through ITFP Pty Ltd.

Subsequent to year end, the Company issued 75,485 options over ordinary shares to non-executive directors de Kretser and Raff under the Company's Employee Share Option Plan on 28 August 2017 with a combined value of $72,466. The options were issued to the directors in lieu of salary for the 12-month period which ended 30 June 2017.

Members of the Company's Scientific Advisory Board will be offered the choice of a small cash payment or an equivalent value of ordinary shares as compensation for valuable advice tendered in the past year.

**Directors' interests in contracts**

During the financial year, the Company engaged Monash University and the Hudson Institute of Medical Research to provide research services. The Company also entered into a Licence Agreement with the Hudson Institute of Medical Research relating to the use of follistatin as a novel chemotherapy sensitizer. Professor de Kretser was an employee of Monash University until August 2016.

No other contracts were awarded during the financial year to any party related to the Directors.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

### Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers Australia) for audit and non-audit services provided during the year are set out in Note 16 of the Notes to the Financial Statements.

### Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the dollar, unless stated otherwise.

### Registered address & principal place of business

The Company's registered address is:

c/- Prime Financial Group
Level 19, HWT Tower
40 City Road, Southbank VIC 3006
Australia

The Company's principal place of business is:

Level 5, 1 Queens Road
Melbourne VIC 3004
Australia

Signed in accordance with a resolution of the directors.

Peter J. Hodgson, Chairman

Ross Barrow, Chief Executive Officer

Melbourne

11 October 2017

# Auditor's Independence Declaration

As lead auditor for the audit of Paranta Biosciences Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Sam Lobley
Partner
PricewaterhouseCoopers

Melbourne
11 October 2017

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | 2017<br>$ | 2016<br>Restated<br>$ |
|---|---|---|---|
| **Revenue** | | | |
| Other revenue | 4, 5 | 1,383,806 | 1,741,009 |
| | | 1,383,806 | 1,741,009 |
| **Less: Expenses** | | | |
| Employee benefits expense | | 1,355,137 | 1,010,437 |
| Occupancy expense | | 85,074 | 41,460 |
| Legal expenses and Intellectual Property | | 154,232 | 160,351 |
| Research Costs | | 2,014,009 | 3,253,265 |
| Depreciation and amortisation expenses | | 5,436 | 4,194 |
| Other expenses | | 207,990 | 169,534 |
| | | 3,821,878 | 4,639,241 |
| **Loss before income tax** | | (2,438,072) | (2,898,232) |
| Income tax benefit | 6 | - | - |
| **Loss for the year** | | (2,438,072) | (2,898,232) |
| Other comprehensive income | | - | - |
| **Total comprehensive loss** | | (2,438,072) | (2,898,232) |

The above statement should be read in conjunction with the accompanying notes.

## STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2017

| | Notes | 2017<br>$ | 2016<br>Restated<br>$ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 7 | 5,035,731 | 6,729,594 |
| Other current assets | 8 | 1,020,470 | 1,610,477 |
| **TOTAL CURRENT ASSETS** | | 6,056,201 | 8,340,071 |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 9 | 3,666 | 9,102 |
| **TOTAL NON-CURRENT ASSETS** | | 3,666 | 9,102 |
| **TOTAL ASSETS** | | 6,059,867 | 8,349,173 |
| **CURRENT LIABILITIES** | | | |
| Payables | 10 | 399,081 | 540,427 |
| Payroll liabilities | 11 | 44,145 | 46,128 |
| Provisions | 12 | 85,982 | 73,370 |
| **TOTAL CURRENT LIABILITIES** | | 529,208 | 659,925 |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | 12 | 30,644 | 19,902 |
| **TOTAL NON-CURRENT LIABILITIES** | | 30,644 | 19,902 |
| **TOTAL LIABILITIES** | | 559,852 | 679,827 |
| **NET ASSETS** | | 5,500,015 | 7,669,346 |
| **EQUITY** | | | |
| Contributed capital | 13 | 16,282,176 | 16,277,076 |
| Reserves | 14 | 719,951 | 456,310 |
| Retained losses | 15 | (11,502,112) | (9,064,040) |
| **TOTAL EQUITY** | | 5,500,015 | 7,669,346 |

The above statement should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2017

| | Contributed equity $ | Reserves $ | Retained earnings $ | Total Equity $ |
|---|---|---|---|---|
| **Balance as at 30 June 2016** | **16,277,076** | **456,310** | **(9,064,040)** | **7,669,346** |
| Loss for the year | - | - | (2,438,072) | (2,438,072) |
| **Total comprehensive loss for the year** | **-** | **-** | **(2,438,072)** | **(2,438,072)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Contributions | 5,100 | - | - | 5,100 |
| Less Capital Raising Costs | - | - | - | - |
| Share Option Reserve | - | 263,641 | - | 263,641 |
| | **5,100** | **263,641** | **-** | **268,741** |
| **Balance as at 30 June 2017** | **16,282,176** | **719,951** | **(11,502,112)** | **5,500,015** |

| | Contributed equity $ | Reserves Restated $ | Retained earnings Restated $ | Total Equity $ |
|---|---|---|---|---|
| **Balance as at 30 June 2015** | **9,311,868** | **188,763** | **(6,165,808)** | **3,334,823** |
| Loss for the year | - | - | (2,649,139) | (2,649,139) |
| Correction of error | - | - | (249,093) | (249,093) |
| **Total comprehensive loss for the year** | **-** | **-** | **(2,898,232)** | **(2,898,232)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Contributions | 7,313,295 | - | - | 7,313,295 |
| Less Capital Raising Costs | (348,087) | - | - | (348,087) |
| Share Option Reserve | - | 18,454 | - | 18,454 |
| Correction of error | - | 249,093 | - | 249,093 |
| | **6,965,208** | **267,547** | **-** | **7,233,755** |
| **Balance as at 30 June 2016** | **16,277,076** | **456,310** | **(9,064,040)** | **7,669,346** |

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | 2017 $ | 2016 $ |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | (3,602,992) | (4,567,355) |
| Interest received | | 107,052 | 184,691 |
| Income tax refunded | | 1,751,912 | 1,643,621 |
| Other Income received | | 50,165 | 87,227 |
| **Net cash used in operating activities** | 15(a) | (1,693,863) | (2,651,816) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Payment for plant and equipment | | - | (11,994) |
| **Net cash used in investing activities** | | - | (11,994) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from share issue | | - | 6,965,208 |
| **Net cash provided by financing activities** | | - | 6,965,208 |
| **Net increase in cash and cash equivalents** | | (1,693,863) | 4,301,398 |
| Cash and cash equivalents at beginning of year | | 6,729,594 | 2,428,196 |
| **Cash and cash equivalents at end of the year** | 15(b) | 5,035,731 | 6,729,594 |

The above statement should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements
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## NOTES TO THE FINANCIAL STATEMENTS
## YEAR ENDED 30 JUNE 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### (a) Basis of preparation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Paranta Biosciences Ltd. Paranta Biosciences Ltd is a company limited by shares, incorporated and domiciled in Australia. Paranta Biosciences Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors on 11 October 2017.

*Compliance with IFRS*
The financial statements of Paranta Biosciences Ltd also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*Historical cost convention*
The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

*Critical accounting estimates*
The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

### (b) Revenue

*Other Revenue*
Other revenue arises as a result of Grants being received by the company. This income is recognised when it is paid or the benefit is received and when the company has complied with the conditions attached to the grant.

*Interest*
Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

### (c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### (d) Plant and equipment

*Cost and valuation*
Plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

*Depreciation*
The depreciable amounts of all other fixed assets are calculated using the diminishing balance method over their estimated useful lives commencing from the time the asset is held ready for use.

The useful lives for each class of assets are:

| | **2017** | **2016** |
|---|---|---|
| Plant and equipment: | *3 to 10 years* | *3 to 10 years* |

**(e) Intangibles**

*Research and development*
Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when technical feasibility studies demonstrate that the project will deliver future economic benefits and these benefits can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost of the intangible assets over their estimated useful lives. Amortisation commences when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

**(f) Impairment**

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

**(g) Income tax**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

*Deferred tax balances*
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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(h) Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an out flow of economic benefits will result and that outflow can be reliably measured.

### (i) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

### (j) Financial instruments

*Classification*
The entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

*Non-derivative financial instruments*
Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit and loss. After initial recognition, non-derivative financial instruments are measured as described below.

*Loans and receivables*
Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

*Financial liabilities*
Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

### (k) Foreign currency translations and balances

*Functional and presentation currency*
The financial statements of the entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency).

The financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

*Transactions and balances*
Transactions in foreign currencies of entities are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

All resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

### (l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. 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 in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (m) Comparatives

Where necessary comparative information has been reclassified and repositioned for consistency with current year disclosures.

### (n) Share-based payments

The company provides share-based compensation benefits to employees via the Share Option Plan. Information relating to this scheme is set out in Note 13(e). The fair value of options granted under the Share Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted including any market conditions and non-vesting conditions, and excluding any service and non-market performance vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

### (o) Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar, unless stated otherwise.

## NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

*(a) Income tax*
The company's research and development activities are eligible under an Australian Government tax incentive scheme for a refundable tax offset. Management have assessed these activities and expenditures to determine which are likely to be eligible under the incentive scheme. At each period end, management estimates the refundable tax offset available to the company based on information available at the time. The company uses the assistance of independent tax specialists to review, on an annual basis, the quantum of our research and development claim and our on-going eligibility to claim this tax incentive in Australia.

*(b) Equity-based payment transactions*
Paranta measure 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 using the binomial tree model, with the assumptions detailed in note 13. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

*(c) Going concern*
The financial report has been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In common with biotechnology and drug development companies the Company's operations are subject to considerable risks and significant uncertainty due primarily to the nature of the development and commercialisation undertaken.

The Company raised $6.96 million in August 2015 net of capital raising costs and has sufficient funds to progress its planned development programs, including Phase I clinical development of its respiratory program, and preclinical development activities relating to its oncology program.

To allow the Company to execute its longer-term plans, including Phase II clinical development of its respiratory program, and preclinical development activities relating to its oncology program, the company will need to raise additional capital in the future.

The directors and management closely monitor the Company's cash position and forecast cash requirements. If it appears that sufficient funds are unlikely to be secured in a timely manner, the Company will take actions to defer expenditure on research and development activities to ensure financial obligations are met as and when they fall due.

The Company had $5.04 million in cash assets at the 30th June 2017. Based on the above the directors consider the going concern basis to be appropriate.

## NOTE 3: FINANCIAL RISK MANAGEMENT

The entity is exposed to a variety of financial risks comprising:
(a) Interest rate risk
(b) Credit risk
(c) Liquidity risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

### (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The exposure to interest rate risks in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

| **Financial instruments** | **Interest bearing** | **Non-interest bearing** | **Total carrying amount** | **Weighted average effective interest rate** | **Fixed / variable rate** |
|---|---|---|---|---|---|
| **2017** | **$** | **$** | **$** | **%** | |
| *(i) Financial assets* | | | | | |
| Cash | 5,035,731 | - | 5,035,731 | 2.02% | Variable |
| Total financial assets | 5,035,731 | - | 5,035,731 | 2.02% | |
| *(ii) Financial liabilities* | | | | | |
| Trade creditors | - | 443,226 | 443,226 | - | |
| Total financial liabilities | - | 443,226 | 443,226 | - | |

| Financial instruments | Interest bearing | Non-interest bearing | Total carrying amount | Weighted average effective interest rate | Fixed / variable rate |
|---|---|---|---|---|---|
| **2016** | **$** | **$** | **$** | **%** | |
| *(i) Financial assets* | | | | | |
| Cash | 6,729,594 | - | 6,729,594 | 2.37% | Variable |
| Total financial assets | 6,729,594 | - | 6,729,594 | 2.37% | |
| *(ii) Financial liabilities* | | | | | |
| Trade creditors | - | 586,555 | 586,555 | - | |
| Total financial liabilities | - | 586,555 | 586,555 | - | |

***Sensitivity***

If interest rates were to increase/decrease by 1% from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

| | 2017 | 2016 |
|---|---|---|
| +/- 1% | **$** | **$** |
| Impact on profit after tax | 35,250 | 47,107 |

**(b) Credit risk exposures**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in statement of financial position and notes to the financial statements.

Credit risk for the Company arises from cash and cash equivalents and receivables from third parties. For banks and financial institutions, only independent rating parties with a minimum 'A' are accepted. As of 30 June 2017, cash and cash equivalents held with minimum 'A' rated banks was $5,035,731 (2016: $6,729,594). The Company does not generally have receivables. For amounts due from third parties, where there are no external credit ratings available, see Note 8.

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

***Maturity analysis***

The tables below represent the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

The liquidity risk is managed by monitoring rolling cash forecasts of cash and cash equivalents on the basis of expected cash flows.

| Year ended 30 June 2017 | < 6 Months $ | 6-12 Months $ | 1-5 years $ | Total contractual cash flows $ | Carrying amount $ |
|---|---|---|---|---|---|
| Payables | (443,227) | - | - | (443,227) | (443,227) |
| Net maturities | (443,227) | - | - | (443,227) | (443,227) |

| Year ended 30 June 2016 | < 6 Months $ | 6-12 Months $ | 1-5 years $ | Total contractual cash flows $ | Carrying amount $ |
|---|---|---|---|---|---|
| Payables | (586,555) | - | - | (586,555) | (586,555) |
| Net maturities | (586,555) | - | - | (586,555) | (586,555) |

| | 2017 $ | 2016 Restated $ |
|---|---|---|
| **NOTE 4: REVENUE** | | |
| **Revenues from continuing operations** | | |
| *Other revenue* | | |
| Interest | 107,052 | 173,145 |
| Other Revenue | 56,804 | 87,228 |
| R&D Tax Offset | 1,219,950 | 1,480,636 |
| | 1,383,806 | 1,741,009 |

**NOTE 5: RECLASSIFICATION OF THE R&D TAX INCENTIVE OFFSET**

The Company's R&D tax incentive offset earned during the period was previously presented as an income tax benefit in the statement of comprehensive income. However, management considers it more relevant if the offset, to the extent that its refundable, is presented as income. Prior year comparatives as at 30 June 2016 have been restated by reclassifying $1,480,636 from income tax benefit to other revenue. The adjustment had no impact on reported loss for the year and no impact on net assets.

**NOTE 6: INCOME TAX**

**Prima facie tax payable**

| | | |
|---|---|---|
| The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows: | | |
| Profit/(loss) before tax from continuing operations | (2,438,072) | (2,898,232) |
| | (2,438,072) | (2,898,232) |
| Prima facie income tax payable on profit before income tax at 30% | (731,422) | (869,470) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| - Research & Development cost | 654,258 | 987,091 |
| - Share based payments | 80,623 | 80,264 |

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **Prima facie tax payable (cont)** | | |
| - Sundry items | (5,300) | 21,701 |
| - Adjustments for current tax of prior periods | 99,468 | - |
| - Research and development tax credit | (284,603) | (444,191) |
| - Tax benefit not recognised | 186,975 | 224,605 |
| Income tax benefit / (expense) attributable to profit | - | - |
| Unused tax losses not brought to account | 1,141,357 | 518,107 |
| Potential tax benefit at 30% (2016 – 30%) | 342,407 | 155,432 |

These losses do not have an expiry date as they can be carried forward indefinitely under Australian tax legislation.

**NOTE 7: CASH AND CASH EQUIVALENTS**

| | | |
|---|---|---|
| Cash at bank | 5,035,731 | 6,729,594 |
| | 5,035,731 | 6,729,594 |

**NOTE 8: OTHER CURRENT ASSETS**

| | | |
|---|---|---|
| Prepayments | 30,808 | 21,987 |
| GST Receivable | 25,402 | 107,854 |
| Accounts Receivable | 6,600 | - |
| Security Deposits | 8,985 | - |
| R&D Tax Rebate Receivable | 948,675 | 1,480,636 |
| | 1,020,470 | 1,610,477 |

**NOTE 9: PLANT AND EQUIPMENT**

| | | |
|---|---|---|
| Plant & equipment | | |
| At cost | 18,614 | 18,614 |
| Accumulated depreciation | (14,948) | (9,512) |
| | 3,666 | 9,102 |

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **(a) Reconciliations** | | |
| Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year | | |
| *Plant and equipment* | | |
| Carrying amount at beginning of year | 9,102 | 1,302 |
| Additions | - | 11,994 |
| Depreciation expense | (5,436) | (4,194) |
| Carrying amount end of year | 3,666 | 9,102 |

**NOTE 10: PAYABLES**

| | | |
|---|---|---|
| CURRENT | | |
| Trade payables | 189,564 | 521,834 |
| Other payables | 209,517 | 18,593 |
| | 399,081 | 540,427 |

**NOTE 11: PAYROLL LIABILITIES**

| | | |
|---|---|---|
| CURRENT | | |
| Amounts withheld | 20,865 | 21,953 |
| Superannuation | 23,280 | 24,175 |
| | 44,145 | 46,128 |

**NOTE 12: PROVISIONS**

| | | |
|---|---|---|
| CURRENT | | |
| Employee benefits | 85,982 | 73,370 |
| | 85,982 | 73,370 |
| NON-CURRENT | | |
| Employee benefits | 30,644 | 19,902 |
| | 30,644 | 19,902 |
| Aggregate employee benefits liability | 116,626 | 93,272 |

**NOTE 13: CONTRIBUTED CAPITAL**

| | | |
|---|---|---|
| **(a) Issued and paid up capital** | | |
| Ordinary shares fully paid | 16,282,176 | 16,277,076 |
| Fully paid ordinary shares carry one vote per share and carry the right to dividends. | | |

**(b) Movements in shares on issue**

| | 2017 | |
|---|---|---|
| | **No of Shares** | **$** |
| Beginning of the financial year | 15,398,598 | 16,277,076 |
| Issued during the year | | |
| – Shares issued | 3,000 | 5,100 |
| - Accrued capital raising costs paid in current year | - | - |
| - Capital raising costs | - | - |
| End of the financial year | 15,401,598 | 16,282,176 |

| | 2016 | |
|---|---|---|
| | **No of Shares** | **$** |
| Beginning of the financial year | 11,096,660 | 9,311,868 |
| Issued during the year | | |
| – Shares issued | 4,301,938 | 7,313,295 |
| - Accrued capital raising costs paid in current year | - | - |
| - Capital raising costs | - | (348,087) |
| End of the financial year | 15,398,598 | 16,277,076 |

**(c) Rights of each type of share**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholder meetings, each ordinary share is entitled to one vote when a poll is called.

**(d) Capital management**

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

**(e) Share Options**

Options over ordinary shares:
Employee share scheme
The establishment of the Share Option Plan was approved by the Board of Directors in April 2016. The company continued to offer employee and director participation in short term and long-term incentive schemes as part of the remuneration packages for the employees and directors of the company.

During the year, the Company issued options as remuneration to certain Directors as part of their remuneration ("fee sacrifice arrangement"). Additionally, the Company issued options to employees as part of a bonus arrangement for past services. Options granted under a fee sacrifice arrangement vest upon grant. Under a bonus arrangement, if the employee ceases to be employed by the Company, within 3 years from the grant date, the share option grant will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

Options are granted under the plan for no consideration and carry no dividend or voting rights. The options become exercisable 3 years from the grant date and expire after a further 2 years. When exercised, each option is convertible into one ordinary share, which is allotted as soon as practicable following a valid exercise of the vested options. The exercise price of the option has been set at $1.70.

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Average exercise price per option | Number of options | Average exercise price per option | Number of options |
| As at 1 July | $1.70 | 551,435 | - | - |
| Granted during the year | $1.70 | 170,416 | $1.70 | 551,435 |
| Exercised during the year | - | - | - | - |
| Forfeited during the year | $1.70 | (5,994) | - | - |
| As at 30 June | $1.70 | 715,857 | $1.70 | 551,435 |
| Exercisable at 30 June | - | - | - | - |

No options expired during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices

| Grant date | Expiry date | Exercise price | Share options at 30 June 2017 | Share options at 30 June 2016 |
|---|---|---|---|---|
| 2 May 2016 | 2 May 2021 | $1.70 | 551,435 | 551,435 |
| 3 October 2016 | 3 October 2021 | $1.70 | 150,209 | - |
| 13 March 2017 | 13 March 2022 | $1.70 | 14,213 | - |
| Total | | | 715,857 | 551,435 |
| Weighted average remaining contractual life of options outstanding at the end of the period (years) | | | 3.95 | 4.84 |

Subsequent to year end, 75,485 options over ordinary shares under a fee sacrifice arrangement was granted on 28 August 2017 to non-executive directors (de Krester and Raff) in lieu of salary for their services from 1 July 2016 to 30 June 2017. The options were granted under the Company's Share Option Plan with an exercise price of $1.70 and an expiry date of 28 August 2022.

Fair value of share options granted:
The fair value of share options granted during the year was $0.96 per option (2016: $0.96). The fair values at the grant date are determined using a binomial tree option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, and expected price volatility of the underlying share, the expected dividend/distribution yield, the impact of dilution (where material), the expected life of the option after factoring in potential early exercise, and the risk-free interest rate for the term of the option. The model inputs for share options granted during the year included:

| Grant date | Expiry date | Exercise price | Share price at grant date | Expected price volatility | Expected dividend yield | Risk free-rate | Expected life (years) |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| 3 Oct 2016 | 3 Oct 2021 | $1.70 | $1.70 | 75.0% | 0.0% | 2.12% | 4.0 |
| 13 Mar 2017 | 13 May 2022 | $1.70 | $1.70 | 75.0% | 0.0% | 2.12% | 4.0 |
| **2016** | | | | | | | |
| 2 May 2016 | 2 May 2021 | $1.70 | $1.70 | 75.0% | 0.0% | 2.12% | 4.0 |

The expected price volatility is based on the historic volatility of listed companies that are comparable to Paranta, and the mean reversion tendency of volatilities.

Total expenses arising from share-based payment transactions during the period as part of employee benefit expense are presented in Note 19.

| NOTE 14: RESERVES | 2017 $ | 2016 Restated $ |
|---|---|---|
| *(i) Nature and purpose of reserve* | | |
| This reserve is used to record the fair value of options issued to employees and directors as part of their remuneration or intended to be issued in respect of services provided for the period ending 30 June 2017. The balance is transferred to share capital when options are granted and balance is transferred to retained earning when options lapse. | | |
| *(ii) Movements in reserve* | | |
| Balance at beginning of year | 456,310 | 188,763 |
| Share option expense - remuneration | 263,641 | 267,547 |
| Balance at end of year | 719,951 | 456,310 |

**NOTE 15: CASH FLOW INFORMATION**

| | | |
|---|---|---|
| **(a) Reconciliation of cash flow from operations with profit after income tax** | | |
| Profit from ordinary activities after income tax | (2,438,072) | (2,898,232) |
| **Non-Cash Items** | | |
| Depreciation and amortisation | 5,436 | 4,194 |
| Non-cash employee benefits expense – share based payments | 268,742 | 267,547 |
| | 269,078 | 271,741 |
| **Changes in assets and liabilities** | | |
| Decrease in other current assets | 590,007 | 202,103 |
| (Decrease) in trade and other payables | (141,347) | (306,994) |
| (Decrease)/Increase in payroll liabilities | (1,982) | 33,914 |
| Increase in provisions | 23,354 | 45,652 |
| Net cash flow used in operating activities | (1,693,862) | (2,651,816) |

| | | |
|---|---|---|
| **(b) Reconciliation of cash** | | |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows: | | |
| – Cash at bank | 5,035,731 | 6,729,594 |
| Closing cash balance | 5,035,731 | 6,729,594 |

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **NOTE 16: AUDITORS REMUNERATION** | | |
| Amounts received or due and receivable in 2017 by PricewaterhouseCoopers Australia (2016: Pitcher Partners): | | |
| An audit or review of the financial report of the entity and any other entity | 22,950 | 10,500 |
| | 22,950 | 10,500 |
| Taxation Services | 20,400 | - |

The board of directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the board of directors to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

## NOTE 17: REVISION IN ACCOUNTING FOR SHARE BASED PAYMENTS

The company has revised the accounting for share option grants from prior periods to expense the fair value over the appropriate vesting period. The revision affected financial statement line items as follows:

| Statement of financial position (extract) | **2016** | **Increase/ (decrease)** | **2016** Restated |
|---|---|---|---|
| Reserves | 207,217 | 249,093 | 456,310 |
| Retained losses | (8,814,947) | (249,093) | (9,064,040) |

| Statement of comprehensive income (extract) | **2016** | **Profit increase/ (decrease)** | **2016** Restated |
|---|---|---|---|
| Employee benefits expense | 761,344 | 249,093 | 1,010,437 |
| **Loss before income tax** | (2,649,139) | (249,093) | (2,898,232) |
| Income tax benefit | - | - | - |
| **Loss after income tax** | (2,649,139) | (249,093) | (2,898,232) |
| Other comprehensive income | - | - | - |
| **Total comprehensive loss** | (2,649,139) | (249,093) | (2,898,232) |

## NOTE 18: SEGMENT REPORTING

The entity operates exclusively in the pharmaceutical drug development segment with all operations based in Australia.

| | 2017 | 2016 Restated |
|---|---|---|
| | $ | $ |

**NOTE 19: DIRECTORS AND EXECUTIVES COMPENSATIONS**

***Compensation by category***

| | | |
|---|---|---|
| Short-term employment benefits | 381,016 | 235,872 |
| Share-based payments | 258,969 | 267,547 |
| | 639,985 | 503,419 |

**NOTE 20: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS**

Number of shares held by key management personnel

| | Balance 1 July | Received as Remuneration | Net change Other | Balance 30 June |
|---|---|---|---|---|
| **2017 Directors** | | | | |
| David de Kretser* | 618,368 | - | - | 618,368 |
| John Raff | 446,175 | - | - | 446,175 |
| Austin Miller | 922,535 | - | - | 922,535 |
| Ross Barrow | 132,900 | - | - | 132,900 |
| Peter Hodgson | - | - | - | - |
| | 2,119,978 | - | - | 2,119,978 |
| **2016 Directors** | | | | |
| Peter Jonson** | 249,444 | - | 147,057 | 396,501 |
| David de Kretser* | 488,730 | - | 129,638 | 618,368 |
| John Raff | 239,116 | - | 207,059 | 446,175 |
| Austin Miller | 700,000 | - | 222,535 | 922,535 |
| Ross Barrow | 97,900 | - | 35,000 | 132,900 |
| | 1,775,190 | - | 741,289 | 2,516,479 |

*Professor de Kretser also owns approximately 19.8% of ITFP Pty Ltd, a company that holds 2.5 million shares in Paranta Biosciences Limited. The number of shares reported in the table above excludes shares held indirectly through ITFP Pty Ltd.

**Peter Jonson retired in April 2016.

**NOTE 21: SUBSEQUENT EVENTS**

Subsequent to year end, the Company issued 75,485 options over ordinary shares to non-executive directors de Kretser and Raff under the Company's Employee Share Option Plan on 28 August 2017 with a combined value of $72,466. The options were issued to the directors in lieu of salary for the 12-month period which ended 30 June 2017.

This share option grant has been accounted for in the period ended 30 June 2017 as required under AASB 2 Share -based payment.

**PARANTA BIOSCIENCES LIMITED**
**ABN: 75 141 027 107**

## DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 13 to 31 in accordance with the *Corporations Act 2001*:

(a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;

(b) As stated in Note 1(a) the financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the entity as at 30 June 2017 and of its performance for the year ended on that date.

In the directors' opinion, there are reasonable grounds to believe that Paranta Biosciences Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Peter J. Hodgson
Director, Chairman

Ross Barrow
Director, CEO

Melbourne

11 October 2017

# *Independent auditor's report*

To the members of Paranta Biosciences Limited

## *Our opinion*

In our opinion:

The accompanying financial report of Paranta Biosciences Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended

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

***What we have audited***

The financial report comprises:

- the statement of financial position as at 30 June 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

***Independence***

We are independent of the Company 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.

## *Other information*

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' report included in the annual report, but does not include the financial report and our 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 identified above 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 on the other information obtained prior to the date of this auditor's report, 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.

## *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 *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 Company 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 Company 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 the 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: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

Sam Lobley
Partner

Melbourne
11 October 2017