

Palla Pharma Limited

(formerly TPI Enterprises Limited)

ASX Announcement

23 July 2019

NEW CODEINE PHOSPHATE SUPPLY AGREEMENT AND 1H 2019 UPDATE

Palla Pharma Limited (ASX:PAL - formerly TPI Enterprises Limited, ASX:TPE), a low cost producer of Narcotic Raw Material (NRM) and one of three fully integrated opiate manufacturers for supply to the global pain relief market, is pleased to provide the following update.

New Codeine Phosphate Supply Agreement

PAL is pleased to announce the securing of additional Codeine Phosphate (CPO) volumes as a result of entering into a new multi-year supply agreement with a European customer.

The key terms of the agreement are:

- Additional 24 tonnes of Codeine Phosphate (CPO) per annum;
- Three-year term;
- Total contract revenue value of not less than US\$25 million; and
- The ability to supply in CPO API, granulate or tableted form.

PAL expects to begin delivering product under the new contract in Q4 2019.

1H 2019 Update

- Revenue is expected to exceed May guidance of \$24 - \$26 million
- Reiterate expectations of a modest Operating EBITDA profit for 1H 2019 compared to an Operating EBITDA loss of \$1.8 million for the prior corresponding period despite the incurrence of non-recurring legal expenses and an increased investment in research and development
- Confirm estimate for FY 2019 revenue of \$60+ million

PAL has achieved over 18% revenue growth in 1H 2019 compared to the prior corresponding period, with strong growth in Active Pharmaceutical Ingredients (API), Finished Dosage Formulation (FDF) and poppy seed revenue.

PAL expects to report a modest, maiden half year Operating EBITDA profit, with strong growth in API and FDF product sales tempered by operational challenges in finished dosage manufacturing which has impacted profit margins for this division (as previously discussed in the 30 May 2019 AGM update).

With the patent issue resolved, PAL now has over 100 tonnes of NRM equivalent in poppy straw available at its Melbourne NRM extraction facility, providing sufficient raw material input supply for at least the next 12 months. This fact, coupled with the impact of increased production volumes and an anticipated reduction in legal expenses, sees PAL optimistic about continued improvement in operating margins through 2H 2019.

PAL will provide further detail on its 1H 2019 operating performance and half-year financial results in late August 2019.

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About Palla Pharma Limited

Palla Pharma Limited is one of three licensed poppy processors in Australia, and the only Australian-owned company. It is one of only three companies globally that is vertically integrated from poppy growing through to tablet production. Palla Pharma has developed an innovative, efficient and environmentally sustainable extraction and purification manufacturing process which allows the company to deliver a highly competitive pricing platform. The Company's strategy is to secure access to regulated downstream narcotics markets to leverage its reliable, cost-competitive upstream raw material capability.