



PALLA PHARMA

# ASX ANNOUNCEMENT

Monday 21<sup>st</sup> October 2019

*Not for release or distribution in the United States*

## Retail Entitlement Offer Booklet

Attached is a copy of the Retail Offer Booklet for the accelerated non-renounceable pro rata entitlement offer announced on Thursday, 17 October 2019.

The Retail Entitlement Offer Booklet, including personalised entitlement and acceptance forms, will be despatched to eligible retail shareholders on Wednesday, 23 October 2019.

## Amendment to Key Date

Referring to page 7 of the Retail offer Booklet “Key Dates of the Retail Entitlement Offer”, Palla Pharma Limited hereby amends the date for allotment of trading of the Institutional Entitlement Offer and Placement Shares from Thursday 24 October to Friday 25 October.

All other key dates and terms of the Entitlement Offer have not changed.

## Retail Entitlement Offer

The retail component of the Entitlement Offer opens on Wednesday, 23 October 2019 and closes at 5.00pm (Melbourne time) on Monday, 11 November 2019.

In deciding whether to participate in the Retail Entitlement Offer, Eligible Retail Shareholders should read the Retail Entitlement Offer Booklet carefully.

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### About Palla Pharma Limited:

Palla Pharma Limited (ASX:PAL) is a vertically integrated opiate manufacturer from poppy straw growing through to tableting production. Palla Pharma has developed an innovative, efficient and environmentally sustainable opiate manufacturing process based on a novel water-based extraction technology. The company is one of six licensed opiate producers globally, and one of three fully integrated suppliers from opiate extraction through to tableting production delivering on its strategy to secure access to regulated downstream narcotics markets by leveraging its production cost advantage.

#### Palla Pharma Limited

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# **Palla Pharma Limited**

**ACN 107 872 453**

## **Retail Entitlement Offer**

2 for 5 accelerated non-renounceable pro rata entitlement offer of Palla Pharma Limited (**Palla Pharma**)  
ordinary shares at an offer price of \$0.70 per New Share

The Entitlement Offer is fully underwritten

Retail Entitlement Offer closes at 5.00pm (Melbourne time) on Monday 11 November

This is an important document which is accompanied by a personalised Entitlement and Acceptance Form for you to subscribe for new ordinary shares in Palla Pharma. You should read this document carefully in its entirety. This document is not a prospectus under the Corporations Act and has not been lodged with the Australian Securities and Investments Commission. You should call your professional adviser or the Palla Pharma Offer Information Line if you have any queries.

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

# IMPORTANT NOTICES

This Information Booklet is dated 21 October 2019.

Defined terms used in these important notices have the meaning given in this Information Booklet.

The Retail Entitlement Offer is being made pursuant to section 708AA of the Corporations Act (as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84) which allows entitlement issues to be offered without a prospectus. As a result, this offer is not being made under a prospectus and it is important for Eligible Retail Shareholders to read and understand the information on Palla Pharma Limited ACN 107 872 453 (**Palla Pharma**) and the Retail Entitlement Offer made publicly available, before taking up all or part of their Entitlement. **This information is important and requires your immediate attention.**

You should read this Information Booklet carefully in its entirety before deciding whether to participate in the Retail Entitlement Offer. By returning an Entitlement and Acceptance Form or otherwise paying for your New Shares through BPAY<sup>®</sup> in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have read this Information Booklet and you have acted in accordance with and agree to the terms of the Retail Entitlement Offer in this Information Booklet.

## Future performance and forward looking statements

This Information Booklet contains certain forward looking statements with respect to the financial condition, results of operations, projects and business of Palla Pharma and certain plans and objectives of Palla Pharma. Forward looking statements can generally be identified by the use of forward looking words such as 'expect', 'anticipate', 'likely', 'intend', 'propose', 'should', 'could', 'may', 'will', 'predict', 'plan', 'believe', 'forecast', 'estimate', 'target', 'continue', 'objectives', 'outlook', 'guidance' and other similar expressions.

The forward looking statements, opinions and estimates contained in this Information Booklet are based on assumptions and contingencies which are subject to change without notice, as are any statements about market and industry trends, which are based on interpretations of current market conditions. They involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Palla Pharma and its officers, employees, agents and associates, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

Any forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Readers are cautioned not to place undue reliance on forward-looking statements. There can be no assurance that actual outcomes will not differ materially from these forward looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. Investors should consider the forward looking statements contained in this Information Booklet in light of those disclosures.

## Past performance

Investors should note that past performance, including past share price performance, cannot be relied upon as an indicator of (and provides no guidance as to) future Palla Pharma performance including future share price performance.

## Jurisdictions

This Information Booklet is intended for use only in connection with the Retail Entitlement Offer to Eligible Retail Shareholders with a registered address in Australia or New Zealand. This

Information Booklet does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

## Not for release or distribution in the United States of America

This Information Booklet, or any accompanying ASX announcements or the Entitlement and Acceptance Form, does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Neither this Information Booklet nor the Entitlement and Acceptance Form may be distributed or released in the United States. Neither the entitlements to purchase new ordinary shares in Palla Pharma (**New Shares**) pursuant to the offer described in this Information Booklet (**Entitlements**) nor the New Shares have been, nor will be, registered under the US Securities Act of 1933, as amended (**US Securities Act**), or the securities laws of any state or other jurisdiction of the United States. Neither the Entitlements nor the New Shares may be offered, sold or resold in the United States or to persons acting for the account or benefit of a person in the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US State securities laws. In the Retail Entitlement Offer, the Entitlements and the New Shares will only be sold in 'offshore transactions' (as defined in Rule 902(h) under the US Securities Act) in compliance with Regulation S under the US Securities Act.

## Risks

Refer to the 'Key Risks' Section of the Investor Presentation included in Section 3 of this Information Booklet for a summary of certain general and Palla Pharma specific risk factors that may affect Palla Pharma.

## Taxation

There will be a tax implication associated with participating in the Retail Entitlement Offer and receiving New Shares or additional New Shares. Section 4 provides for a general guide to the Australian income tax, goods and services tax and stamp duty implications of the Retail Entitlement Offer for Eligible Retail Shareholders. The guide does not take account of the individual circumstances of particular Eligible Retail Shareholders and does not constitute tax advice. Palla Pharma recommends that you consult your professional tax adviser in connection with the Retail Entitlement Offer.

## References to 'you', 'your Entitlement' and 'your Retail Entitlement'

In this Information Booklet, references to 'you' are references to Eligible Retail Shareholders and references to 'your Entitlement' or 'your Retail Entitlement' (or 'your Entitlement and Acceptance Form') are references to the Entitlement (or Entitlement and Acceptance Form) of Eligible Retail Shareholders, unless the context provides otherwise.

## Times and dates

Times and dates in this Information Booklet are indicative only and subject to change. All times and dates refer to Melbourne time. Refer to the 'Key Dates' Section of this Information Booklet for more details.

## Currency

Unless otherwise stated, all dollar values in this Information Booklet are in Australian dollars (A\$).

<sup>1</sup> Registered to BPAY Pty Ltd ABN 69 079 137 518

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## LETTER FROM THE CHAIRMAN

Thursday 17 October 2019

Dear Shareholder

On behalf of Palla Pharma Limited (**Palla Pharma**), I am pleased to invite you to participate in a 2 for 5 fully underwritten accelerated non-renounceable pro rata entitlement offer of New Shares at an offer price of \$0.70 per New Share (**Offer Price**) to raise gross proceeds of approximately \$22.7 million (**Entitlement Offer**).

On Thursday 17 October 2019, Palla Pharma announced its intention to raise approximately \$31.1 million through a placement to institutional investors (**Institutional Placement**) of \$8.4 million and the Entitlement Offer of \$22.7 million (together, the **Capital Raising**). The institutional component of the Entitlement Offer (**Institutional Entitlement Offer**) and the Institutional Placement (together, the **Institutional Offer**) were successfully completed before trading in our shares recommenced on Monday 21 October 2019.

This Information Booklet relates to the retail component of the Entitlement Offer (**Retail Entitlement Offer**).

The proceeds of the Capital Raising will be used to provide capital for the expansion of sites in Australia and Norway, reduce debt with Washington H. Soul Pattinson and to pay the costs of the Capital Raising.

The Capital Raising is jointly lead managed and fully underwritten by Morgans Corporate Limited ABN 32 010 539 607 and Shaw and Partners Limited ABN 24 003 221 583 (see Section 5.16 for further details).

### Retail Entitlement Offer

Under the Retail Entitlement Offer, Eligible Retail Shareholders have the opportunity to invest at the same price as the institutional investors who participated in the Institutional Offer. The number of New Shares for which you are entitled to subscribe under the Retail Entitlement Offer (**Entitlement**) is set out in your personalised Entitlement and Acceptance Form that accompanies this Information Booklet. The Offer Price of \$0.70 per New Share represents a 15.6% discount to Theoretical Ex-Rights Price and a 22.2% discount to the closing price of Palla Pharma's Shares of \$0.90 per share on Wednesday 16 October 2019.

If you take up your full Entitlement, you may also apply under the Top Up Facility for additional New Shares in excess of your Entitlement, up to a maximum of 100% of your Entitlement, at the Offer Price. The allocation of additional New Shares will be subject to the availability of New Shares under the Entitlement Offer. Palla Pharma retains the flexibility to scale back applications for additional New Shares at its discretion (refer to Section 5 of this Information Booklet for more information).

The Entitlement Offer is non-renounceable and therefore your Entitlement will not be tradeable on the ASX or otherwise transferable. I encourage you to consider this offer carefully.

### Information Booklet

This Information Booklet contains important information, including:

- ASX announcements relating to the Capital Raising, including the Investor Presentation, which provides information on Palla Pharma, the Entitlement Offer and key risks for you to consider;

- instructions on how to apply, detailing how to participate in the Retail Entitlement Offer if you choose to do so, and a timetable of key dates;
- information regarding the personalised Entitlement and Acceptance Form that accompanies this Information Booklet, which details your Entitlement and instructions on how to complete it; and
- instructions on how to take up all or part of your Entitlement via BPAY® or by cheque.

If you decide to take this opportunity to increase your investment in Palla Pharma, you must:

- pay your Application Money via BPAY®; or
- return your completed personalised Entitlement and Acceptance Form, together with a cheque for your Application Money, to the Share Registry,

**before 5.00pm (Melbourne time) on Monday 11 November.**

Instructions on how to apply are set out in this Information Booklet and your Entitlement and Acceptance Form. For further information regarding the Retail Entitlement Offer, call the Palla Pharma Offer Information Line on 1300 794 935 between 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Retail Entitlement Offer Period.

**The Retail Entitlement Offer closes at 5.00pm (Melbourne time) on Monday 11 November**

If you do not wish to take up any of your Entitlement, you do not have to take any action.

If you are uncertain about taking up your Entitlement you should consult your stockbroker, solicitor, accountant or other professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer.

On behalf of the board of Palla Pharma, I have pleasure in inviting you to consider this investment opportunity and thank you for your ongoing support of Palla Pharma.

Yours faithfully,

**Simon Moore**  
Chairman  
**Palla Pharma Limited**

## SUMMARY OF CAPITAL RAISING

### **Institutional Placement**

Offer Price	\$0.70 per New Share
Size	12 million New Shares
Gross Proceeds	\$8.4 million

### **Entitlement Offer**

Entitlement Ratio	2 for every 5 existing Palla Pharma ordinary shares
Offer Price	\$0.70 per New Share
Size	32,434,238 New Shares
Gross Proceeds	\$22.7 million, being \$12.2 million under the Institutional Entitlement Offer and \$10.5 million under the Retail Entitlement Offer

<b>Total Gross Proceeds of Capital Raising</b>	<b>\$31.1 million</b>
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## KEY DATES FOR RETAIL ENTITLEMENT OFFER

Event	Date
Company announces Capital Raising	Thursday 17 October
Results of Institutional Offer	Monday 21 October
Record Date for the Entitlement Offer	7.00pm on Monday 21 October
Despatch of Information Booklet and Entitlement and Acceptance Form to Eligible Retail Shareholders	Wednesday 23 October
Retail Entitlement Offer opens	Wednesday 23 October
Settlement of Institutional Entitlement Offer and Placement Shares	12.00pm on Thursday 24 October
Allotment and trading of Institutional Entitlement Offer and Placement Shares	Thursday 24 October
Retail Entitlement Offer closes	5.00pm Monday 11 November
Announcement of Results of Retail Entitlement Offer	5.00pm Thursday 14 November
Settlement of Retail Entitlement Offer	Friday 15 November
Allotment of New Shares under the Retail Entitlement Offer	Monday 18 November
Normal trading of New Shares issued under the Retail Entitlement Offer expected to commence on ASX	Tuesday 19 November
Despatch of holding statements	Wednesday 20 November

The timetable above is indicative only and may be subject to change without notice. Palla Pharma, with the consent of the Underwriters, reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws to amend or vary any or all of the dates and times without notice. In particular, Palla Pharma reserves the right to extend the closing date of the Retail Entitlement Offer, accept late applications (either generally or in particular cases) and to withdraw the Retail Entitlement Offer without prior notice.

The commencement of quotation of New Shares is subject to confirmation from ASX.

Cooling off rights do not apply to the Retail Entitlement Offer. You cannot withdraw your application once it has been accepted. Eligible Retail Shareholders are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Retail Entitlement Offer opens.

### Enquiries

For further information regarding the Retail Entitlement Offer, please call the Palla Pharma Offer Information Line on 1300 794 935 between 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Retail Entitlement Offer Period. If you have any questions, please consult your stockbroker, accountant or other independent professional adviser.



## 1 Summary of options available to you

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If you are an Eligible Retail Shareholder, you may take any one of the following actions:

- take up all of your Entitlement and also apply for additional New Shares under the Top Up Facility;
- take up all of your Entitlement but not apply for an additional New Shares under the Top Up Facility;
- take up part of your Entitlement and allow the balance to lapse; or
- do nothing, in which case your Entitlement will lapse and you will receive no value for those lapsed Entitlements.

If you are a retail shareholder that is not an Eligible Retail Shareholder you are an “Ineligible Retail Shareholder”. Ineligible Retail Shareholders are not entitled to participate in the Entitlement Offer.

Options available to you	Key considerations
1. Take up all of your Entitlement	<p>You may elect to purchase New Shares at the Offer Price (see Section 2 “<i>How to Apply</i>” for instructions on how to take up your Entitlement).</p> <ul style="list-style-type: none"><li>• The New Shares will rank equally in all respects with existing Shares (including rights to dividends and distributions).</li><li>• The Retail Entitlement Offer closes at 5.00pm (Melbourne time) on Monday 11 November 2019.</li><li>• If you take up all of your Entitlement, you may also apply for additional New Shares under the Top Up Facility. There is no guarantee that you will be allocated any additional New Shares under the Top Up Facility.</li></ul>
2. Take up part of your Entitlement	<ul style="list-style-type: none"><li>• If you only take up part of your Entitlement, the part not taken up will lapse. You will not be entitled to apply for additional New Shares under the Top Up Facility.</li><li>• If you do not take up your Entitlement in full you will not receive any payment or value for those Entitlements not taken up.</li><li>• If you do not take up your Entitlement in full, you will have your percentage holding in Palla Pharma reduced as a result of the Entitlement Offer.</li></ul>
3. Do nothing, in which case your Entitlement will lapse and you will receive no value for those lapsed Entitlements	<ul style="list-style-type: none"><li>• If you do not take up your Entitlement, you will not be allocated New Shares and your Entitlements will lapse. Your Entitlement to participate in the Retail Entitlement Offer is non-renounceable, which means they are non-transferable and cannot be sold, or traded on ASX or any other exchange, nor can they be privately transferred.</li><li>• If you do not take up your Entitlement, you will have your percentage holding in Palla Pharma reduced as a result of the Entitlement Offer.</li></ul>

## 2 How to apply

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### 2.1 Before making a decision

This Information Booklet (including the ASX Announcements and Investor Presentation set out in Section 3 and the Additional Information set out in Section 5) should be read carefully and in its entirety before making any decision about your Entitlement. You should be aware that an investment in Palla Pharma involves risks. The key risks identified by Palla Pharma are set out in the “Key Risks” Section of the Investor Presentation included in this Information Booklet.

### 2.2 Overview of Capital Raising

Palla Pharma intends to raise approximately \$31.1 million through the Capital Raising. This includes an Institutional Placement of \$8.4 million and the Entitlement Offer of \$22.7 million. The proceeds of the Capital Raising will be used to provide capital for the expansion of sites in Australia and Norway, reduce debt with Washington H. Soul Pattinson and to pay the costs of the Capital Raising and to pay the costs of the Capital Raising.

### 2.3 Overview of Entitlement Offer

Eligible shareholders are being offered the opportunity to purchase 2 New Shares for every 5 existing Shares held as at 7.00pm (Melbourne time) on Monday 21 October (**Record Date**), at the Offer Price of \$0.70 per New Share.

The Entitlement Offer has two components:

- (a) **Institutional Entitlement Offer of \$12.2 million** — Eligible Institutional Shareholders were given the opportunity to take up all or part of their Entitlement.
- (b) **Retail Entitlement Offer of approximately \$10.5 million** — Eligible Retail Shareholders are given the opportunity to take up all or part of their Entitlements under the Retail Entitlement Offer.

Eligible Retail Shareholders who take up their full Entitlement may also participate in the Top Up Facility by applying for additional New Shares in excess of their Entitlement up to a maximum of 100% of their Entitlement at the Offer Price.

Both the Institutional Entitlement Offer and the Retail Entitlement Offer are non-renounceable and Entitlements are calculated under both offers based on the same ratio. The New Shares issued under the Institutional Placement, Institutional Entitlement Offer and Retail Entitlement Offer are all issued at the same Offer Price.

### 2.4 Institutional Offer

The Institutional Offer, comprising both the Institutional Entitlement Offer and the Institutional Placement, was successfully completed on Monday 21 October. A copy of Palla Pharma’s announcement to the ASX in relation to the completion of the Institutional Offer is set out in Section 3.

Palla Pharma raised approximately \$8.4 million under the Institutional Placement and approximately \$12.2 million under the Institutional Entitlement Offer, at \$0.70 per New Share. New Shares are expected to be issued under the Institutional Offer on Thursday 24 October.

### 2.5 The Retail Entitlement Offer

Under the Retail Entitlement Offer, Eligible Retail Shareholders are invited to apply for 2 New Shares for every 5 existing Shares held as at the Record Date at the Offer Price of \$0.70 per New Share. New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally in all respects with existing Shares.

The offer ratio and Offer Price under the Retail Entitlement Offer are the same as for the Institutional Entitlement Offer. The Retail Entitlement Offer is non-renounceable. This means Entitlements do not trade on the ASX and cannot be dealt with, sold or transferred.

The Retail Entitlement Offer opens at 9.00am (Melbourne time) on Wednesday 23 October and will close at 5.00pm (Melbourne time) on Monday 11 November.

## **2.6 Your Entitlement**

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and has been calculated as 2 New Shares for every 5 existing Shares you held as at the Record Date. If the result is not a whole number, your Entitlement will be rounded up to the nearest whole number of New Shares.

If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have a separate Entitlement for each separate holding.

If you take up your Entitlement in full, you may also apply for additional New Shares under the Top Up Facility, up to an additional 100% of your Entitlement. Any New Shares not taken up by the Closing Date may be made available under the Top Up Facility to those Eligible Retail Shareholders who have taken up their Entitlement in full and applied for additional New Shares. There is no guarantee that you will receive the number of New Shares applied for, or any New Shares, under the Top Up Facility. New Shares will only be allocated under the Top Up Facility if available and if Palla Pharma so determines, in its absolute discretion.

## **2.7 Consider the Retail Entitlement Offer carefully in light of your particular investment objectives and circumstances**

The Retail Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow rights issues to be made without a prospectus. This Information Booklet does not contain all of the information which may be required in order to make an informed decision regarding an application for New Shares offered under the Retail Entitlement Offer. As a result, it is important for you to read carefully and understand the information on Palla Pharma and the Retail Entitlement Offer made publicly available, prior to making any decision in respect of your Entitlement. In particular, you should refer to this Information Booklet and other announcements made available at <http://www.pallapharma.com/> (including announcements which may be made by Palla Pharma after publication of this Information Booklet).

You should consult with your stockbroker, accountant or other professional adviser if you have any queries or are uncertain about any aspect of the Retail Entitlement Offer. You should also refer to the "Key Risks" Section of the Investor Presentation included in Section 3 of this Information Booklet.

## **2.8 Options available to you**

If you are an Eligible Retail Shareholder, you may:

- take up all your Entitlement in full and, if you do so, you may also apply for additional New Shares under the Top Up Facility (see Section 2.9); or
- take up part of your Entitlement and the rest of your Entitlement will lapse (see Section 2.10); or
- do nothing and allow your Entitlement to lapse (see Section 2.11).

## **2.9 If you wish to take up all your Entitlement or take up all your Entitlement and participate in the Top Up Facility**

If you wish to take up all of your Entitlement, you must:

- (a) pay your Application Money via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form; or
- (b) if you are unable to pay via BPAY® (for example, because you are a New Zealand Shareholder who does not have an Australian bank account), complete and return the personalised Entitlement and Acceptance Form with the requisite Application Money,

in each case, by no later than 5.00pm (Melbourne time) on Monday 11 November.

If you apply to take up all of your Entitlement, you may also apply for additional New Shares under the Top Up Facility, up to a maximum of 100% of your Entitlement. Palla Pharma may treat amounts it receives in excess of the Offer Price multiplied by your Entitlement as an Application to apply for as many additional New Shares in the Top Up Facility as will be paid in full from the excess amounts.

If your Application for New Shares under the Top Up Facility is accepted in whole or in part, your New Shares will be issued to you at the same time that other New Shares are issued under the Retail Entitlement Offer. There is no guarantee that you will be allocated any additional New Shares.

Palla Pharma will pay any refund amounts in Australian dollars to you either by direct credit to your nominated bank account, or by cheque sent by ordinary post to your address as noted in the share register as at the Closing Date. No interest will be paid on any Application Money received or refunded.

## **2.10 If you wish to take up part of your Entitlement and let the balance lapse**

If you wish to take up part of your Entitlement, you must:

- (a) pay your Application Money for the relevant part via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form; or
- (b) if you are unable to pay via BPAY® (for example, because you are a New Zealand Shareholder who does not have an Australian bank account), complete and return the personalised Entitlement and Acceptance Form with the requisite Application Money,

in each case, by no later than 5.00pm (Melbourne time) on Monday 11 November.

Any of your Entitlement which you do not take up will lapse. Your percentage shareholding in Palla Pharma will be diluted accordingly.

If Palla Pharma receives an amount that is less than the Offer Price multiplied by your Entitlement, Palla Pharma may treat your payment as an Application for as many New Shares as your Application Money will pay in full and the balance of your Entitlement will lapse.

## **2.11 If you wish to do nothing and allow your Entitlement to lapse**

If you do not wish to take up all or any part of your Entitlement, you do not need to take any further action. Your Entitlement will lapse and your percentage shareholding in Palla Pharma will be diluted accordingly.

## **2.12 Consequences when an Entitlement lapses**

If you do not accept all or part of your Entitlement in accordance with the relevant instructions and all or part of your Entitlement lapses, the New Shares to which you would otherwise have been entitled under the Retail Entitlement Offer may be acquired by the Underwriters or any sub-underwriters or by other Eligible Retail Shareholders under the Top Up Facility.

By allowing all or part of your Entitlement to lapse, you will forego any exposure to increases or decreases in the value of New Shares you would have received had you taken

up your Entitlement and you will not receive any value for your Entitlement. Your percentage shareholding in Palla Pharma will be diluted accordingly.

## 2.13 Payment

You can pay in the following ways:

- by BPAY®; or
- if you are unable to pay by BPAY® (for example, because you are a New Zealand Shareholder who does not have an Australian bank account), by cheque.

Cash payments will not be accepted. Receipts for payment will not be issued.

Palla Pharma will treat you as applying for as many New Shares as your payment will pay for in full up to your Entitlement.

Any Application Money received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Retail Entitlement Offer. No interest will be paid to applicants on any Application Money received or refunded.

### (a) *Payment by BPAY®*

To pay by BPAY®, follow the instructions on the personalised Entitlement and Acceptance Form. You can only pay via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

If you are paying by BPAY®, you must use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your application will not be recognised as valid.

If you pay by BPAY®:

- you do not need to submit your personalised Entitlement and Acceptance Form but are taken to make the declarations, representations and warranties on that Entitlement and Acceptance Form and in Section 2.14; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Money.

It is your responsibility to ensure that your BPAY® payment is received by the Palla Pharma Share Registry by no later than 5.00pm (Melbourne time) on Monday 11 November. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration in the timing of when you make payment.

### (b) *Payment by cheque*

To pay by cheque, complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque in Australian currency for the amount of the Application Money, payable to 'Palla Pharma Retail Offer' and crossed 'Not Negotiable'.

Your cheque must be:

- for an amount equal to \$0.70 multiplied by the number of New Shares that you are applying for; and

- in Australian currency drawn on an Australian branch of a financial institution. Payment cannot be made in New Zealand dollars.

You should ensure that sufficient funds are held in the relevant account to cover the Application Money as your cheque will be processed on the day of receipt. If the amount of your cheque for Application Money (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower whole number of New Shares as your cleared Application Money will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form) and to have provided the representations in Section 2.14. Alternatively, your application will not be accepted.

If you make payment via cheque, your completed personalised Entitlement and Acceptance Form together with your Application Money must be received at Palla Pharma's Share Registry no later than the close of the Retail Entitlement Offer, being 5.00pm (Melbourne time) on Monday 11 November.

## **2.14 Representations by acceptance**

By making a payment by BPAY® or completing and returning your personalised Entitlement and Acceptance Form, you will be deemed to have represented to Palla Pharma that you are an Eligible Retail Shareholder and:

- acknowledge that you have read and understand this Information Booklet and your personalised Entitlement and Acceptance Form in their entirety;
- agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Information Booklet (including Section 5.6), and Palla Pharma's constitution;
- authorise Palla Pharma to register you as the holder(s) of New Shares allotted to you;
- declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- acknowledge that once Palla Pharma receives your payment of Application Money via BPAY® or your personalised Entitlement and Acceptance Form you may not withdraw your application or funds provided except as allowed by law;
- agree to apply for and be issued up to the number of New Shares for which you have submitted payment of any Application Money via BPAY® or have specified in the personalised Entitlement and Acceptance Form at the Offer Price per New Share;
- authorise Palla Pharma, the Underwriters, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;

- acknowledge that the information contained in this Information Booklet and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- acknowledge that this Information Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in Palla Pharma and is given in the context of Palla Pharma's past and ongoing continuous disclosure announcements to ASX;
- acknowledge the statement of risks in the "Key Risks" Section of the Investor Presentation contained in Section 3 of this Information Booklet, and that investments in Palla Pharma are subject to risk;
- acknowledge that neither Palla Pharma nor the Underwriters, nor their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of Palla Pharma, nor do they guarantee the repayment of capital;
- agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and of your holding of Shares on the Record Date;
- authorise Palla Pharma to correct any errors in your personalised Entitlement and Acceptance Form or any other form provided by you;
- represent and warrant (for the benefit of Palla Pharma, the Underwriters and their respective related bodies corporate and affiliates) that you did not receive an invitation to participate in the Institutional Entitlement Offer either directly or through a nominee, are not an Ineligible Retail Shareholder and are otherwise eligible to participate in the Retail Entitlement Offer; and
- represent and warrant that the law of any place does not prohibit you from being given this Information Booklet and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares and that you are otherwise eligible to participate in the Retail Entitlement Offer.

By making a payment by BPAY® or completing and returning your personalised Entitlement and Acceptance Form, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- you are not in the United States and you are not acting for the account or benefit of a person in the United States;
- you understand and acknowledge that neither the Entitlements nor the New Shares have been, or will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States;
- you are subscribing for or purchasing the Entitlements or the New Shares outside the United States in an "offshore transaction" (as defined in Rule 902(h) under the US Securities Act) in compliance with reliance on Regulation S under the US Securities Act;
- you have not and will not send this Information Booklet, the Entitlement and Acceptance Form or any other materials relating to the Retail Entitlement Offer to any person in the United States or any other country outside Australia; and

- if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia and is not in the United States and is not acting for the account or benefit of a person in the United States, and you have not sent this Information Booklet, the Entitlement and Acceptance Form or any information relating to the Retail Entitlement Offer to any such person.

## **2.15 Enquiries**

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions about completing it, please contact the Palla Pharma Offer Information Line on 1300 794 935. The Palla Pharma Offer Information Line will be open from 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Retail Entitlement Offer Period. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.



### **3 ASX Announcements**

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PALLA PHARMA

## ASX ANNOUNCEMENT

Thursday 17<sup>th</sup> October 2019

### PAL announces Fully Underwritten Capital Raising

Palla Pharma Limited (ASX: PAL) (**PAL**) announces that it is conducting a placement to institutional investors to raise approximately \$8.4 million (**Placement**), and an accelerated pro rata non-renounceable entitlement offer to raise approximately \$22.7 million (**Entitlement Offer**) together forming the **Capital Raising** to raise a total \$31.1 million. The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**). The Capital raising is [fully underwritten].

The Capital Raising is being offered at \$0.70 per share.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 2 new PAL ordinary shares for every 5 existing PAL shares (**Entitlement**) held at 7:00pm (AEDT) on Monday, 21 October 2019 (**Record Date**).

Shares issued under the Capital Raising will be fully paid and rank equally in all respects with existing PAL ordinary shares.

Jarrod Ritchie CEO stated: "This raising represents an exciting opportunity for the company to strengthen its balance sheet, reduce debt and importantly position PAL for future growth through expansion of both its Australian and Norwegian operations."

PAL has been advised by Arnold Bloch Leibler and KPMG. Morgans Corporate Limited and Shaw and Partners Limited have joint lead managed and underwritten the Capital Raising.

### Institutional Offer

Eligible institutional shareholders will be invited to participate in the Placement and the Institutional Entitlement Offer (collectively referred to as the **Institutional Offer**) which will take place from today, Thursday, 17 October 2019 to Friday, 18 November 2019. Eligible institutional shareholders can choose to take up all, part or none of their entitlement. Institutional entitlements cannot be traded on the market.

### Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer at a price of \$0.70 per share. The Retail Entitlement Offer opens on Wednesday, 23 October 2019 and closes at 5.00pm (Melbourne time) on Monday, 11 November 2019.

Further details about the Retail Entitlement Offer will be outlined in a retail offer booklet (**Information Booklet**), which PAL expects to lodge with the ASX on Monday, 21 October 2019 in advance of the dispatch date of Wednesday, 23 October 2019. In deciding whether to participate in the Retail Entitlement Offer, Eligible Retail Shareholders should read the Information Booklet carefully. Additional information can be found in the investor presentation lodged with the ASX. The Information Booklet, and accompanying personalised Entitlement and Acceptance Form will contain instructions on how to apply.

**Palla Pharma Limited**

PO Box 2139 Melbourne, VIC 3001, Australia

T +61 3 9301 0800 / F +61 3 9301 0899 / W [pallapharma.com](http://pallapharma.com) / E [info@pallapharma.com](mailto:info@pallapharma.com)



## PALLA PHARMA

For Eligible Retail Shareholders who wish to take up all or part of their Entitlement, payment must be made via BPAY® or a cheque sent with the completed Entitlement and Acceptance Form. Payment must be received before the Retail Entitlement Offer closes at 5.00pm (Melbourne time) on Monday, 11 November 2019.

The Retail Entitlement Offer is underwritten by Morgans Corporate Limited and Shaw and Partners Limited. Details of the underwriting of the Retail Entitlement Offer are set out in the Information Booklet.

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### For more information please contact:

**Jarrod Ritchie**

Chief Executive Officer  
Palla Pharma Limited  
+61 3 9301 0800

**Brendan Middleton**

Chief Financial Officer  
Palla Pharma Limited  
+61 3 9301 0800

**Adrian Mulcahy**

Investor Relations  
Market Eye  
+61 438 630 422  
[ir@pallapharma.com](mailto:ir@pallapharma.com)

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### About Palla Pharma Limited:

Palla Pharma Limited (ASX:PAL) is a vertically integrated opiate manufacturer from poppy straw growing through to tableting production. Palla Pharma has developed an innovative, efficient and environmentally sustainable opiate manufacturing process based on a novel water-based extraction technology. The company is one of six licensed opiate producers globally, and one of three fully integrated suppliers from opiate extraction through to tableting production delivering on its strategy to secure access to regulated downstream narcotics markets by leveraging its production cost advantage.

**Palla Pharma Limited**

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PALLA PHARMA

# PLACEMENT & ENTITLEMENT OFFER

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**17 OCTOBER 2019**

ASX: PAL

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# DISCLAIMER

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## Summary

This presentation has been prepared by Palla Pharma Limited (**PAL**).

This presentation has been prepared in relation to PAL conducting:

- a placement to sophisticated and professional investors (**Placement**); and
- an accelerated non-renounceable pro rata entitlement offer of new shares in PAL to be made to:
  - eligible institutional shareholders of PAL (**Institutional Entitlement Offer**); and
  - eligible retail shareholders of PAL (**Retail Entitlement Offer**), under section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**), as modified by Australian Securities and Investments Commission (**ASIC**) Corporations (Non-Traditional Rights Issues) Instrument 2016/84 (**Entitlement Offer**).

The information in this presentation is of a general nature and does not purport to be complete nor does it contain all information which a prospective investor may require in evaluating a possible investment in PAL, or that would be required in a prospectus prepared in accordance with the requirements of the Corporations Act.

You are advised to read this disclaimer carefully before reading or making any other use of this presentation or any information contained in this presentation. In accepting this presentation, you agree to be bound by the following terms and conditions including any modifications to them.

Certain market data use in connection with this presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither PAL nor its representatives have independently verified any such market or industry data provided by third parties or industry or general publications.

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## Financial data

All dollar values are in Australian dollars (A\$) unless stated otherwise.

## Past performance

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. The historical information in this presentation is, or is based upon, information that has been released to the Australian Securities Exchange (**ASX**). This presentation should be read in conjunction with PAL's other periodic and continuous disclosure announcements which are available at [www.asx.com.au](http://www.asx.com.au).

# DISCLAIMER (CONTINUED)

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## **Future performance**

The presentation includes forward-looking statements regarding future events and the future financial performance of PAL. Forward looking words such as “expect”, “should”, “could”, “may”, “predict”, “plan”, “will”, “believe”, “forecast”, “estimate”, “target” or other similar expressions are intended to identify forward-looking statements. Any forward looking statements included in this document involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, PAL and its officers, employees, agents or associates. In particular, factors such as variable climatic conditions and regulatory decisions and processes may affect the future operating and financial performance of PAL. This may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. The Information also assumes the success of PAL’s business strategies. The success of the strategies is subject to uncertainties and contingencies beyond control, and no assurance can be given that the anticipated benefits from the strategies will be realised in the periods for which forecasts have been prepared or otherwise. Given these uncertainties, you are cautioned to not place undue reliance on any such forward looking statements. PAL is providing this information as of the date of this presentation and does not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or developments or otherwise.

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# EXECUTIVE SUMMARY

<b>Compelling investment case</b>	<ul style="list-style-type: none"> <li>One of three (3) fully integrated suppliers of opiate-based medications globally; unique water based Narcotic Raw Material ("NRM") extraction technology continues to provide a significant manufacturing cost advantage in NRM production.</li> <li>Industry thematic supports continued strong organic growth; PAL currently has small market share of sizable addressable market.</li> <li>Morphine remains the gold standard for acute pain relief and palliative care.</li> <li>PAL revenue has increased at a CAGR of 123% for last 5 years since relocation of NRM production facility to Victoria from Tasmania; turned Operating EBITDA* positive in 1H 2019 after reaching break even revenue.</li> </ul>
<b>Use of funds</b>	<ul style="list-style-type: none"> <li>Capex for expansion of Active Pharmaceutical Ingredient ('API') production capacity from 70 tonnes to 140 tonnes per annum, and capex for continued improvement of NRM processing capability to focus on increased automation, improved efficiency and alkaloid campaign switch flexibility.</li> <li>Debt reduction and improved balance sheet flexibility to take advantage of future growth opportunities.</li> </ul>
<b>Offer structure and size</b>	<ul style="list-style-type: none"> <li>Fully underwritten Placement and 2 for 5 pro-rata, accelerated, non-renounceable Entitlement Offer to raise gross proceeds of approximately \$31.1 million.</li> </ul>
<b>Offer price</b>	<ul style="list-style-type: none"> <li>Entitlement Offer will be conducted at \$0.70 per New Share (<b>Offer Price</b>).               <ul style="list-style-type: none"> <li>22.2% discount to the last traded price of \$0.90 on Wednesday, 16 October 2019.</li> <li>15.6% discount to TERP<sup>(1)</sup> of \$0.83.</li> </ul> </li> </ul>
<b>Existing shareholder support</b>	<ul style="list-style-type: none"> <li>Existing major shareholders Washington H. Soul Pattinson and Company Limited (holding 16.2m shares equivalent to 20.0% of current SOI), Thorney Investments (holding 13.9m shares equivalent to 17.0% of current SOI), and Wentworth Williamson (holding 6.1m shares equivalent to 7.5% of current SOI) have each provided a commitment of their intention to participate in the Institutional Placement and fully take up their rights under the Entitlement Offer,</li> <li>Each Director who holds shares will take up their entitlement.</li> <li>The Company has agreed to provide a loan to the CEO on commercial terms to take up his entitlement.</li> </ul>
<b>Underwriting</b>	<ul style="list-style-type: none"> <li>Offer is fully underwritten by Morgans Corporate Limited and Shaw and Partners Limited</li> </ul>
<b>Timing</b>	<ul style="list-style-type: none"> <li>Trading halt and announcement of the Offer Thursday, 17 October 2019</li> </ul>

\* Operating EBITDA is a non-GAAP financial measure – refer 2019 Half Year Results presentation for further information.

<sup>(1)</sup> The TERP is the theoretical price at which PAL shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which PAL shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to PAL's closing price of \$0.90 on Wednesday 16 October 2019.





# OFFER SUMMARY

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# COMPELLING INVESTMENT CASE

## ***One of few producers globally of a highly regulated active compound of high demand essential medicine***

Industry thematic supports continued strong organic growth with opportunities for strategic acquisitions as opportunities arise.

One of three (3) fully integrated suppliers of opiate-based medications globally.

Morphine remains the gold standard for “*Pain Relief and Palliative Care*” per the World Health Organization Model List of Essential Medicines 21<sup>st</sup> edition released in 2019; unavailability persists of essential opiate-based medications in developing countries.

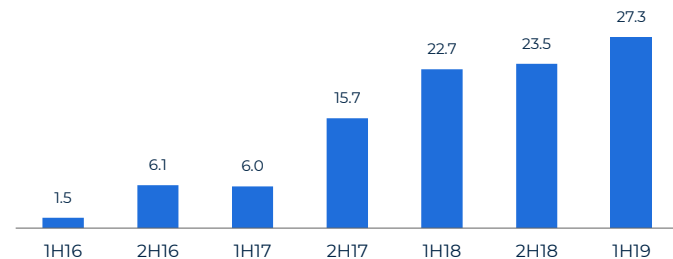
Fentanyl (synthetic opioid) abuse in the United States is driving 100% p.a growth of overdose treatment naloxone which is manufactured from opiates.

PAL revenue has increased at a CAGR of 123% for last 5 years and turned Operating EBITDA\* positive in 1H 2019 after reaching break even revenue.

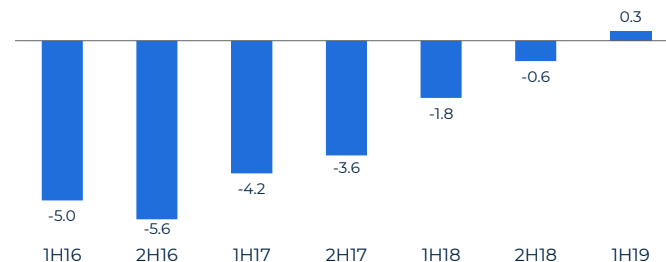
Unique water-based extraction technology provides significant manufacturing cost advantage in narcotic raw material production, providing a competitive advantage and leading to attractive gross margin opportunity throughout the supply chain.

\* Operating EBITDA is a non-GAAP financial measure – refer 2019 Half Year Results presentation for further information.

### **Revenue (\$M)**



### **Operating EBITDA\* (\$M)**



Source: historical audited financial reports

# SOURCES AND USES OF FUNDS

## *Capital raising to accelerate growth, improve operational efficiency, and provide balance sheet flexibility*

<b>API processing facility expansion in Norway</b>	Expansion of Active Pharmaceutical Ingredients (API) production capacity from 70 tonnes to 140 tonnes per annum.
<b>NRM capacity expansion and automation in Australia</b>	Improvement in Narcotic Raw Material (NRM) processing capability to focus on increased automation, higher efficiency and alkaloid flexibility. Automation expected to result in gross margin improvement.
<b>WHSP debt reduction / Invoice Finance debt facility draw down</b>	Invoice Finance debt facility letter of offer received, reduced cost of funding versus existing debt facility. Existing WHSP facility repayment from capital raise proceeds with balance to be refinanced from bank term debt prior to maturity in August 2020.
<b>Working capital</b>	Primarily to support poppy straw purchases in order to support growth.

## Sources and uses of funds

Sources of funds	A\$ million
Placement	8.4
Entitlement offer	22.7
Invoice Finance debt facility drawdown	6.0
<b>Total</b>	<b>37.1</b>



Uses of funds	A\$ million
API processing facility expansion	5.0
NRM capacity expansion & automation	5.0
WHSP debt reduction	21.0
Net working capital / new product development	4.4
Transaction costs	1.7
<b>Total</b>	<b>37.1</b>

# PROFORMA BALANCE SHEET PRE & POST OFFERING

*Invest in growth capex, accelerate debt reduction through equity offering, position balance sheet for growth*

A\$ million	Statutory		Proforma
	As at 30 June 2019	Proforma Adjustment	As at 30 June 2019
Cash	2.5	4.4	6.9
Trade & other receivables	13.4		13.4
Inventories & contract assets	33.3		33.3
Property, plant & equipment	27.4	10.0	37.4
Intangibles & other assets	17.0		17.0
<b>Total Assets</b>	<b>93.6</b>	<b>14.5</b>	<b>108.1</b>
Trade & other payables, provisions	16.9		16.9
Borrowings	31.1	(15.0)	16.1
<b>Total Liabilities</b>	<b>48.0</b>	<b>(15.0)</b>	<b>33.0</b>
<b>Total equity</b>	<b>45.6</b>	<b>29.4</b>	<b>75.0</b>

- **c\$10m** Investment in growth capex to fund API capacity expansion in Norway and NRM capacity expansion and process automation in Australia.
- Accelerate reduction of high cost working capital debt facility (**c\$15m**).
- Proforma equity adjustment represents **c\$29.4m** of equity raised net of transaction fees.

# OFFER DETAILS

<b>Offer structure and size</b>	<ul style="list-style-type: none"> <li>Fully underwritten Placement and 2 for 5 pro-rata, accelerated, non-renounceable Entitlement Offer to raise gross proceeds of approximately \$31.1 million</li> <li>Approximately 44.4 million New Shares to be issued</li> </ul>
<b>Offer price</b>	<ul style="list-style-type: none"> <li>Entitlement Offer will be conducted at \$0.70 per New Share (<b>Offer Price</b>)                             <ul style="list-style-type: none"> <li>22.2% discount to the last traded price of \$0.90 on Wednesday, 16 October 2019</li> <li>15.6% discount to TERP<sup>(1)</sup> of \$0.83</li> </ul> </li> </ul>
<b>Institutional investors</b>	<ul style="list-style-type: none"> <li>Approximately \$12.2 million Institutional Entitlement Offer to existing institutional shareholders                             <ul style="list-style-type: none"> <li>the Institutional Entitlement Offer will be conducted on Thursday, 17 October 2019</li> <li>New Shares equivalent to the number of New Shares not taken up and those that would have been offered to ineligible shareholders will be placed into an institutional shortfall bookbuild to be conducted on Friday, 18 October 2019</li> </ul> </li> </ul>
<b>Retail investors</b>	<ul style="list-style-type: none"> <li>Approximately \$10.5 million non-renounceable Retail Entitlement Offer to existing eligible retail shareholders                             <ul style="list-style-type: none"> <li>the Retail Entitlement Offer will open on 10.00am (Melbourne, Australia time) Wednesday, 23 October 2019 and close on 5.00pm (Melbourne time Monday 11 November 2019)</li> <li>eligible retail shareholders may also apply for additional New Shares beyond their entitlement, up to a maximum of 100% of their Entitlement, subject to the limitations and scale-back discretion detailed in the Retail Offer Booklet</li> </ul> </li> </ul>
<b>Director commitments</b>	<ul style="list-style-type: none"> <li>Each Director who holds shares will take up their entitlement</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>New Shares issued under the Entitlement Offer and Placement will rank equally with existing fully paid ordinary shares from their time of issue, however, New Shares under the Placement do not have rights to participate in the Entitlement Offer</li> </ul>
<b>Underwriters</b>	<ul style="list-style-type: none"> <li>Offer is fully underwritten by Morgans Corporate Limited and Shaw and Partners Limited</li> </ul>

# OFFER TIMETABLE

Event	Date <sup>(1)</sup>
Trading halt and announcement of the offer	Thursday, 17 October 2019
Placement and Institutional Entitlement Offer opens	Thursday, 17 October 2019
Institutional Entitlement Offer closes	Friday, 18 October 2019
Placement and Institutional Shortfall Bookbuild	Friday, 18 October 2019
Trading halt lifted and shares recommence trading on ASX	Monday, 21 October 2019
Record Date for determining entitlement to subscribe for New Shares	7.00pm <sup>(2)</sup> Monday, 21 October 2019
Retail Entitlement Offer opens	10.00am <sup>(2)</sup> Wednesday, 23 October 2019
Retail Entitlement Offer Booklet despatched to eligible shareholders	Wednesday, 23 October 2019
Settlement of applications in the Institutional Entitlement Offer	Thursday, 24 October 2019
Allotment and normal trading of New Shares under the Placement and Institutional Entitlement Offer	Friday, 25 October 2019
Retail Entitlement Offer closes	5.00pm <sup>(2)</sup> Monday 11 November 2019
Settlement of Retail Entitlement Offer	Friday, 15 November 2019
Allotment of New Shares issued under the Retail Entitlement Offer	Monday, 18 November 2019
Quotation of New Shares under the Retail Entitlement Offer	Tuesday, 19 November 2019
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Wednesday, 20 November 2019

Notes:

- (1) All dates and times are indicative and subject to change without notice
- (2) Melbourne time, Australian Eastern / Eastern Daylight Savings Time as appropriate





# COMPANY OVERVIEW

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# COMPANY OVERVIEW

***Lowest cost narcotic raw material producer globally using novel water-based extraction process***

## PALLA PHARMA AT A GLANCE

Fully integrated opiate manufacturer from farm gate to tablet production.

Lowest cost Narcotic Raw Material ("NRM") and Active Pharmaceutical Ingredient ("API") production capability based on unique water-based extraction technology.

Rapidly growing global supplier of pain relief, cough medicines and plans for anti-addiction products.

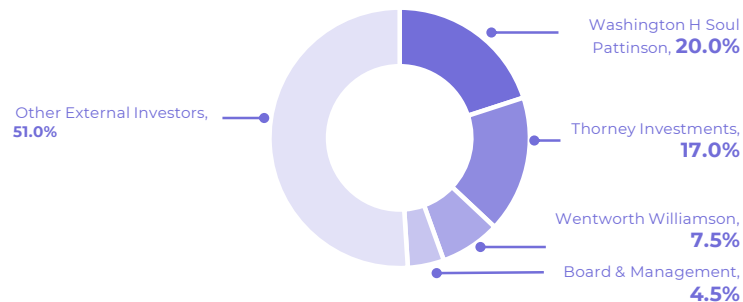
Significant contract manufacturer of Finished Dosage Formulation ("FDF") tablets via contract manufacturing supply agreements ("CMO").

Founded in 2004 and headquartered in Victoria, Australia with production facilities in Victoria, Australia and Kragerø, Norway.

## CAPITAL STRUCTURE

Share Price 16 October 2019	\$0.90
Fully Paid Ordinary Shares	81.1m
Share Appreciation Rights	2.1m
Market Capitalisation	\$73.0m
Net debt (30 June 2019)	\$28.6m

## SHAREHOLDERS



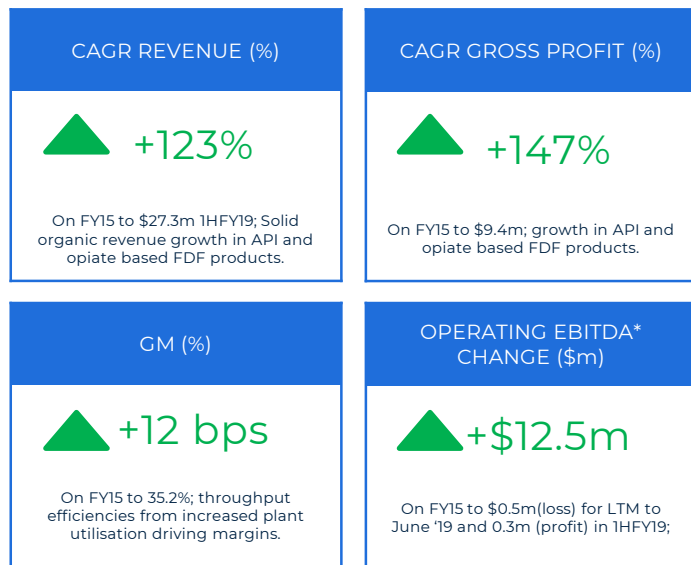
## DIRECTORS & SENIOR MANAGEMENT

Simon Moore	Independent	Non-Executive Chairman
Jarrod Ritchie		Chief Executive Officer
Stuart Black	Independent	Non-Executive Director
Todd Barlow		Non-Executive Director
Sue MacLeman	Independent	Non-Executive Director
Jaime Pinto		Company Secretary
Brendan Middleton		Chief Financial Officer



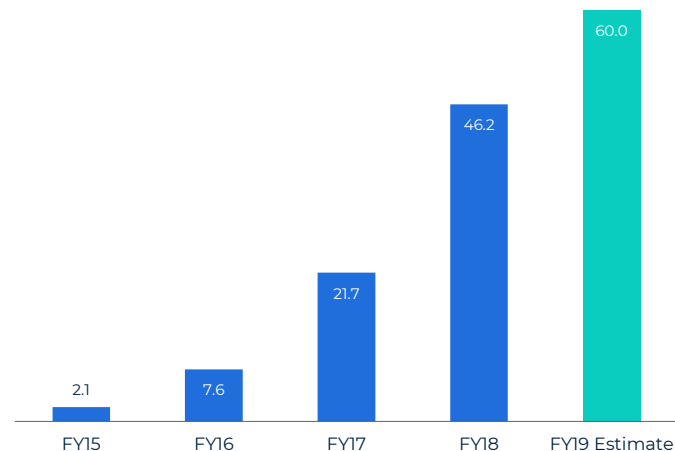
# STRONG RATE OF GROWTH AFTER RELOCATION FROM TASMANIA (FY15 TO 1H 2019)

**Revenue CAGR of 123%, Gross Profit CAGR of 147%, GM% increase of 12 bps and \$12.5m improvement in Operating EBITDA\***



\* Operating EBITDA is a non-GAAP financial measure – refer 2019 Half Year Results presentation for further information.

**Revenue (\$M)**



Source: historical audited financial reports for past performance / internal management forecasts for FY19 estimate

# NRM MANUFACTURING COST ADVANTAGE

*Lower operating cost, lower capital cost, no toxic solvents*

## Palla Pharma Water Based Technology

\$20 million AUD capital investment (100 tonne facility)

No toxic solvents

No wastewater treatment

Operating cost lower than competitors



## Competitors Solvent Based Technology

\$100-150 million capital investment (100 tonne facility)

Toxic solvents

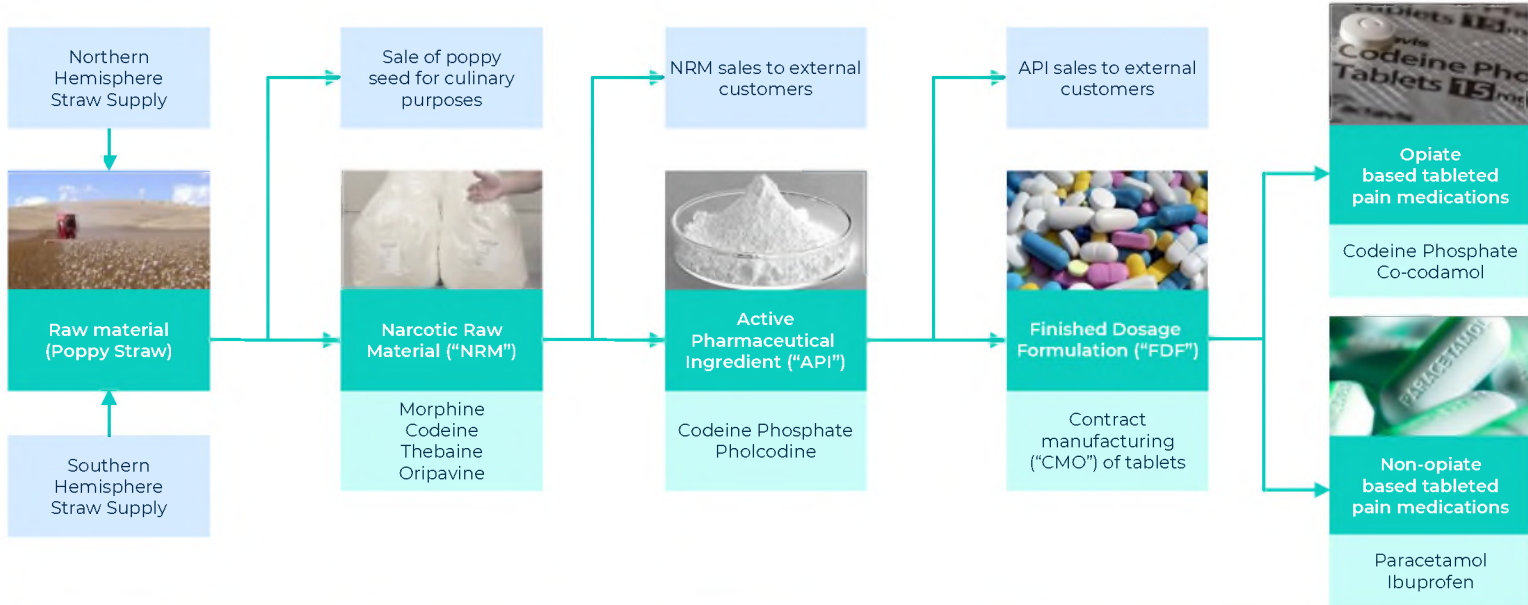
Wastewater treatment required

Significantly higher engineering/QA burden/indirect costs



# FULLY INTEGRATED GLOBAL OPIATE SUPPLY CHAIN

*Diversified straw supply, NRM IP provides competitive advantage throughout the supply chain*

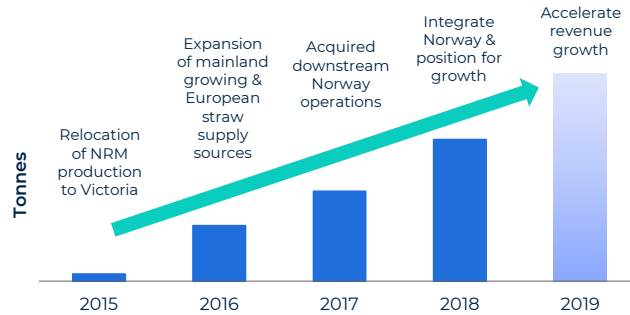


Accretive gross margin for the group as NRM moves to higher value opiate products through the supply chain

# MARKET OPPORTUNITY

## Significant addressable opiate equivalent market opportunity

### Opiate Equivalent Volumes Sold



Source: Company records for historical data / management estimate for 2019

- Reliable and low cost straw supply hampered NRM volume growth prior to 2015; relocation of NRM production facility to Victoria, expansion of mainland growing, and alternative European supply sources significantly improved straw supply reliability.
- Acquisition of downstream Norway operations in 2017 substantially expanded addressable end use markets and customers to further leverage cost advantage in NRM production.

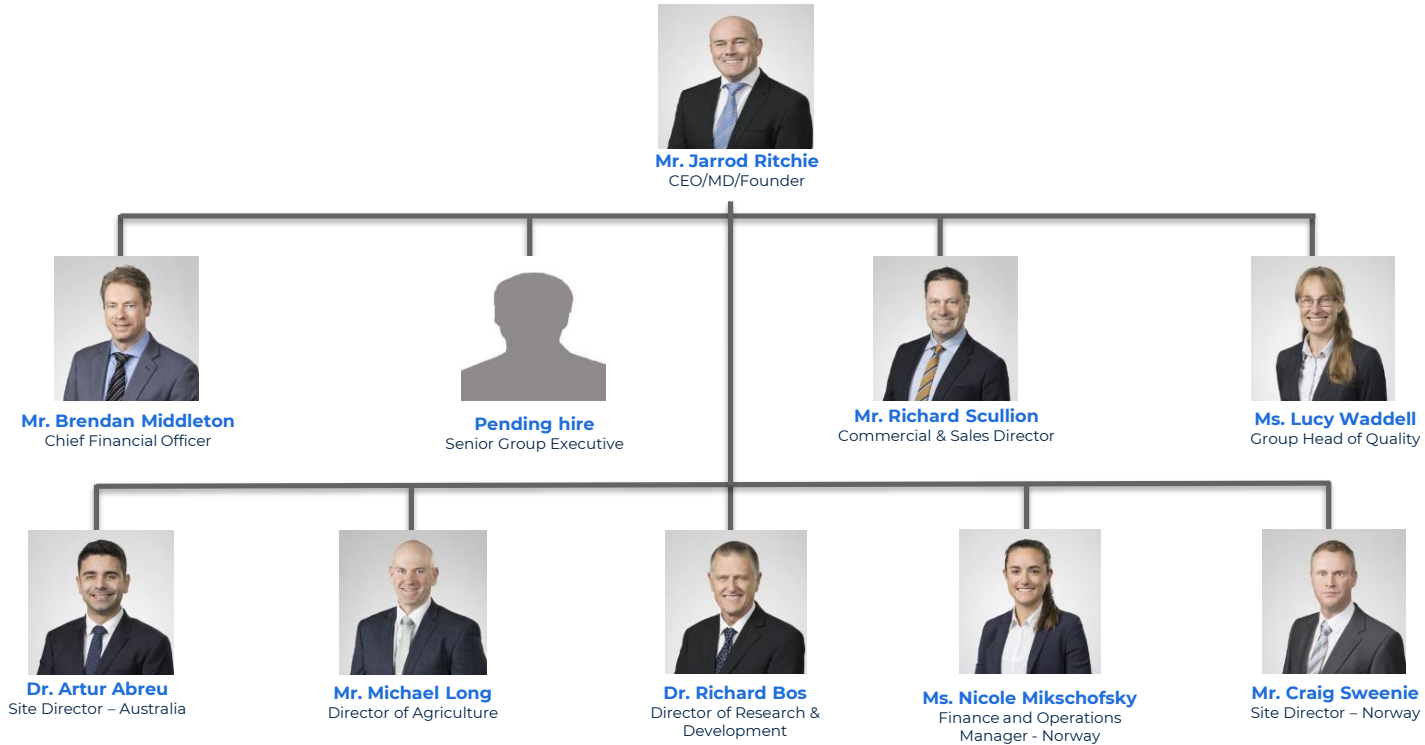
### Sizeable Addressable Global Opiate Market (Tonnes)



Source: INCB "Estimated World Requirements of Narcotic Drugs", July 2019.

- One of six licensed NRM producers globally, and one of three fully integrated suppliers of opiates from NRM, API though to FDF products.
- Key competitive advantage due to NRM source being 70-80% of the input cost of API/FDF products, therefore lowest cost producer opportunity in NRM, API and FDF products with multiple channels to market relative to other industry participants.

# EXPERIENCED GROUP EXECUTIVE TEAM



# LICENCING CAPABILITIES

*Palla Pharma holds 19 licences across the supply chain, a significant barrier to new market entrants*

Australia - State	Australia - Federal	Norway	Other Compounds
<ul style="list-style-type: none"><li>• Licence to Cultivate Poppy Straw</li><li>• Licence to Store Poppy Straw</li><li>• Licence to Manufacture</li></ul>	<ul style="list-style-type: none"><li>• Licence to Manufacture</li><li>• Licence to Import Poppy Straw</li><li>• DAFF Permit to Import Poppy Straw</li><li>• Licence to Export</li></ul>	<ul style="list-style-type: none"><li>• Licence to Manufacture</li><li>• Wholesalers Licence</li><li>• GMP Licence</li></ul>	<ul style="list-style-type: none"><li>• Cocaine*</li><li>• Medicinal Cannabis*</li><li>• Medicinal Cannabis Tinctures*</li><li>• Scopolamine*</li></ul> <p>* Licences obtained within the last three years</p>

The background of the slide is a photograph of several large, clear glass beakers or flasks arranged in a row. They are filled with a clear liquid, and the lighting creates strong reflections on their surfaces. The overall color palette is dominated by deep blues and greys.

# INDUSTRY UPDATE

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# GLOBAL OPIOID SHORTAGE

***Over 85% of opioid use worldwide occurs in developed economies with 15% of the global population, leaving 85% of the population in developing but rapidly growing economies with limited access to pain medications***

Approximately 298 metric tons of morphine-equivalent opioids are distributed in the world each year. However, only 0.1 metric tons (0.03%) are distributed to lower-income countries.

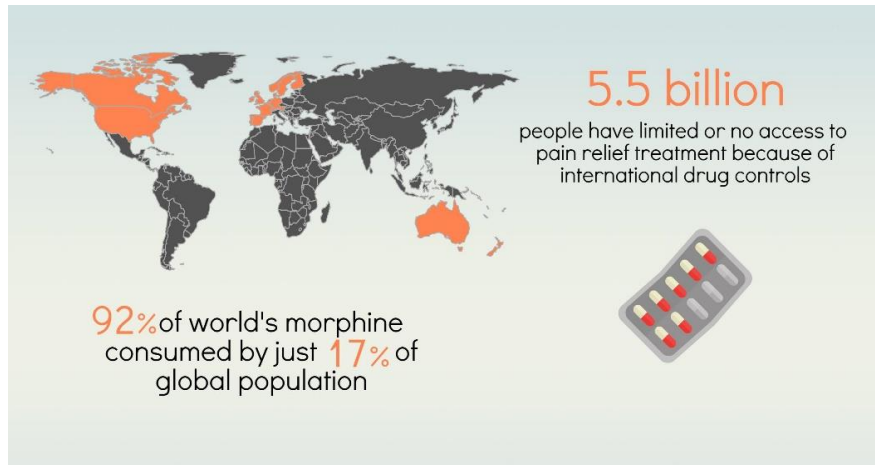
The US consumes 80% of the global opioid supply. This consumption with the current United States opioid crisis is preventing the distribution of palliative care material to African nations.

In Africa, 91% of the countries include opioids in their essential medicines list, 13% report that immediate release morphine is always available.

In developed Asian nations, such as Malaysia, only 24% of palliative care cancer patients receive regular opioid analgesia.

Despite representing over 9% of the world's population Latin America accounts for 1% of global opioid consumption.

Rising incomes in developing nations combined with increased acceptance of Western health practices will provide the means and knowledge to benefit from opiate based pain relief medications.

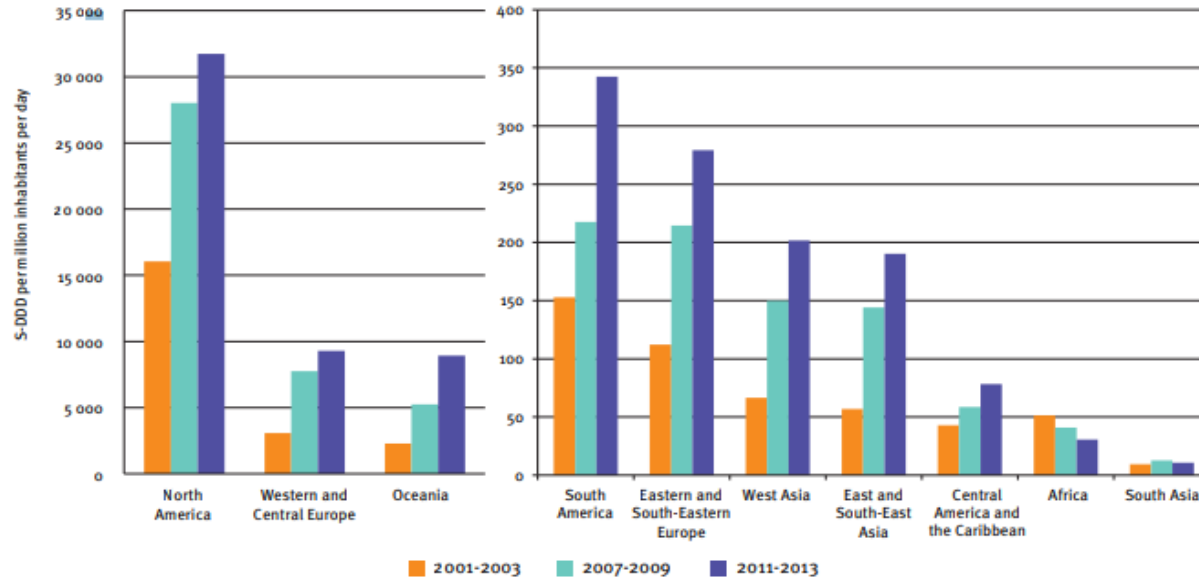




# GLOBAL OPIOID SHORTAGE

*Historically North America consumes 100 times (per capita) of opioid supply compared to rest of world*

Average consumption of Opioid analgesics, all regions, 2001-2003, 2007 – 2009 and 2011 - 2013



# CURRENT OPIOID CRISIS IN THE UNITED STATES

***Opioid synthetics, such as fentanyl, are the main factor in current United States opioid crisis***

The United States National Institutes of Health (NIH) 2017 data shows that the sharpest increase in opioid related deaths resulted from fentanyl use (synthetic opioid) with more than 28,400 overdoses in 2017.

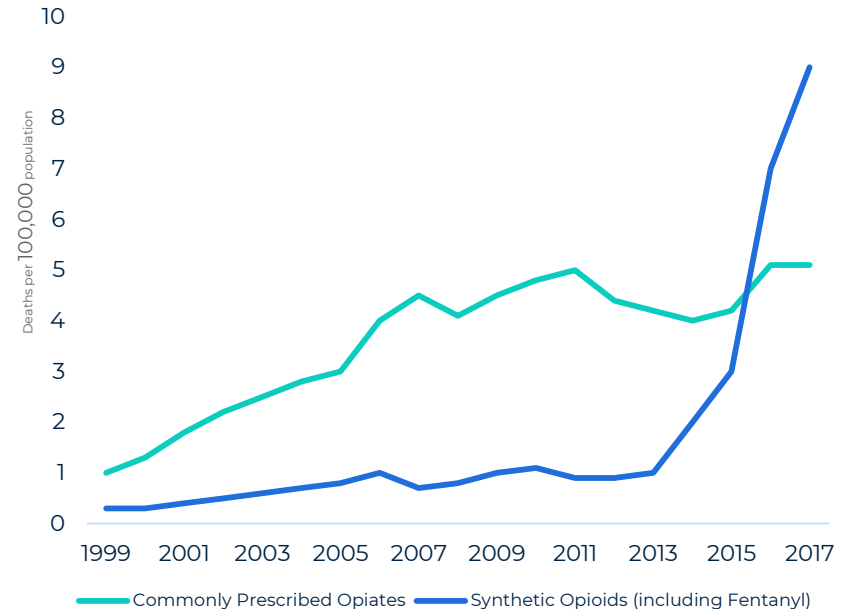
Since 2016 Drug Enforcement Administration (DEA) has reduced the quota of almost every Schedule 2 opiate and opioid medication by 25% or more.

DEA is proposing to further reduce the amount of five opioid substances by 53% in 2020, 31% of the 53% is fentanyl.

Naloxone, an opiate derived antidote, is the preferred first line treatment to help combat fentanyl opioid misuse.

Palla Pharma has never supplied into the United States and perceives the current opioid crisis as an opportunity to develop naloxone and aims to produce first samples by 2021 and enter the non-addictive market by 2022.

## Opioid Associated Deaths (US)



Source: Centres for Disease Control and Prevention, National Vital Statistics System Mortality File

# NALOXONE

***“Overdose deaths have stopped rising for the first time in three decades due to naloxone administration”***

- Centre's for Disease Control and Prevention, 6 August 2019

Naloxone is an antidote for fentanyl and opiate overdose.

Sales of naloxone have increased from \$21.3 million in 2011 to \$60.8 million in 2014 to \$274.1 million in 2016 (USD).

The number of US naloxone prescriptions dispensed grew from 1,600 in 2013 to 336,000 in 2017 and nearly doubled to 556,847 between 2017 and 2018.

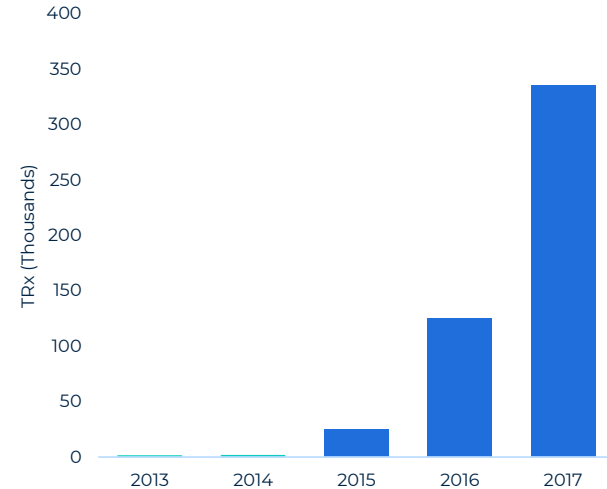
There are two FDA approved naloxone products for community use:

- Evzio (pre-filled single use auto injector)
- Narcan® (Nasal Spray)

Our competitive advantage stems from the low cost of NRM that is transferable to low cost production of naloxone.

Palla Pharma is fully vertically integrated and willing to compete in the naloxone production market.

## US naloxone Prescriptions Dispensed



Source: National Prescription Audit 2013-2017, IQVIA



# STRATEGIC INITIATIVES

## *How Palla Pharma is delivering on its strategic objectives*

### Develop strong foundation for growth



- Lowest cost producer NRM globally; continue to develop and refine production processes
- Globally diversified poppy straw supply chain with dual hemisphere supply strategy
- Fully integrated supplier provides multiple channels to market
- Highly experienced management team



### Penetrate existing markets



- One of six licensed NRM producers globally; one of three fully integrated suppliers
- Exploit lowest cost to produce competitive advantage and reliability of supply through diversified poppy straw sourcing strategy
- Secure long-term supply agreements



### Development of new products



- Develop suite of opiate based API's
- Target anti-addiction API's
- Obtain marketing authorisations to expand opiate based Finished Dosage capability
- Continue to explore market consolidation and downstream value-add acquisition opportunities



### Continue to explore and develop new markets

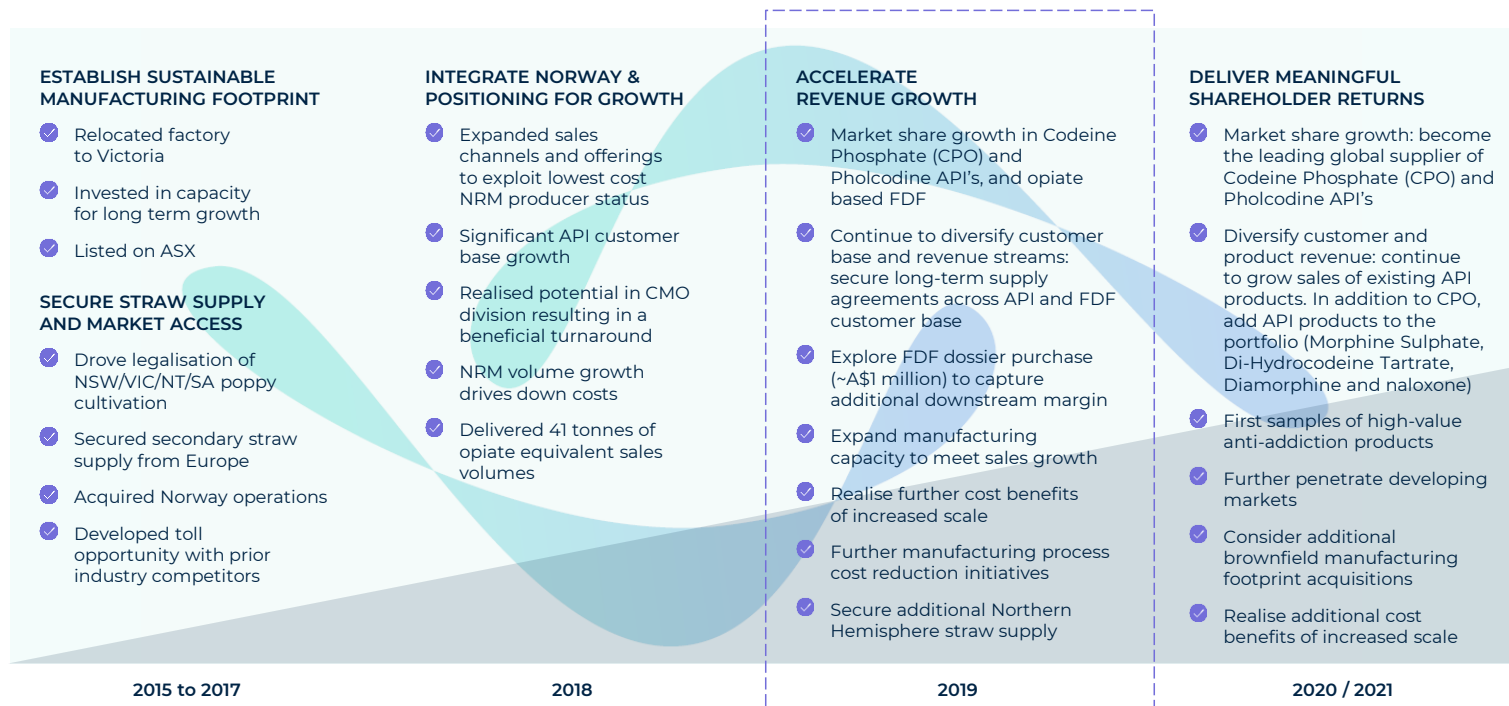


- Significant unmet demand in developing countries with 92% of global supply consumed by 17% of the global population
- Strong population growth demographics in developing countries with lack of access to pain medication
- Activating existing and referral relationships with agents in Africa and Asia

As at 30 June 2019

# STRATEGIC PATHWAY TO LONG TERM GROWTH

Targeting 200t of Annual NRM Production by 2021





# 1H 2019 BUSINESS UNIT UPDATE

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# AGRICULTURE & POPPY SEED

## *Record straw inventory harvested; poppy seed sale prices remains robust*

### Agriculture

A positive growing season for Palla Pharma's growers through 2018/19 saw record poppy straw volumes harvested at the lowest growing cost achieved for a domestic harvest.

Over 100 tonne of NRM-equivalent inventory on hand at Melbourne extraction facility at 30 June, underpinning raw material supply for the next 12 months.

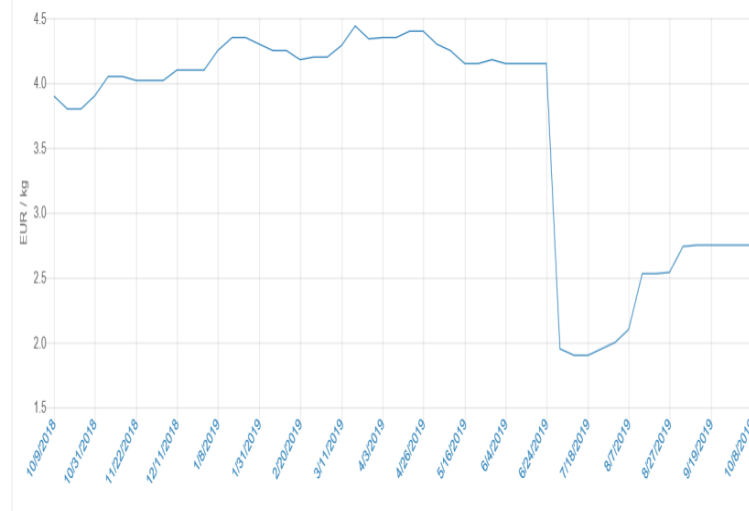
Strong rebound in plantings for Northern Hemisphere growing after previous season's drought and additional aggregator supply agreements have been secured.

### Poppy Seed and Pricing

Poppy seed prices were at record levels of over €4 per kg for premium grade during 1H19; some impact to pricing in July '19 with rebound in Czech Republic and Turkey crop.

Majority of seed from domestic crop sold during 1H19 to take advantage of pricing surge.

### Poppy Seed Sales Price (€/kg)



Source: Mundus Agri Price Chart, October 2019



# NARCOTIC RAW MATERIAL (NRM)

## *Extraction facility operating efficiencies growing with volume*

The unique water-based extraction process used is delivering a competitive cost advantage combined with reliable straw supply, enabling higher volume and long-term supply agreements to be secured.

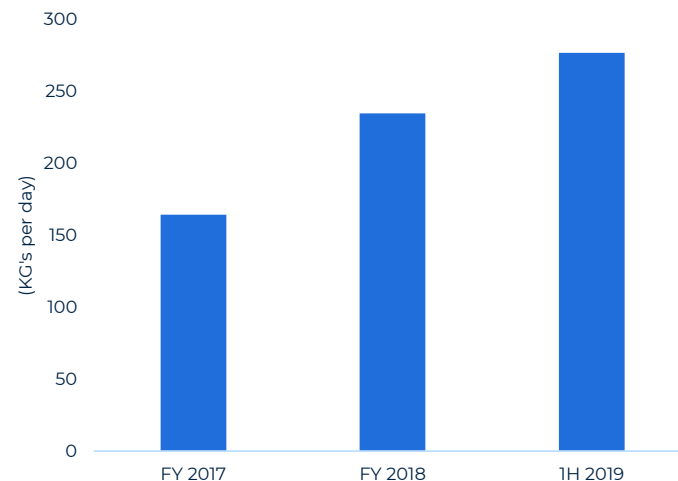
Increased reliable raw material supply saw NRM extraction rates at the Melbourne NRM production facility increase by 17.9% compared to FY2018.

Continued investment in R&D to optimise the production process and further increase efficiencies.

Successful continued development of thebaine customer base with first samples expected to be supplied in 4Q2019.

Consideration being given to timing of investment in additional capacity to meet customer demand.

## NRM Extracted Per Day (KG's)



# ACTIVE PHARMACEUTICAL INGREDIENT (API)

## *Significant increase in production and sales volumes*

Since acquiring the Norway operations in 2017 API production capacity has increased from 500kg/week to over 1,000kg/week.

API production for 1H19 (21 tonnes) was the equivalent of 81% of 2018 total API volume.

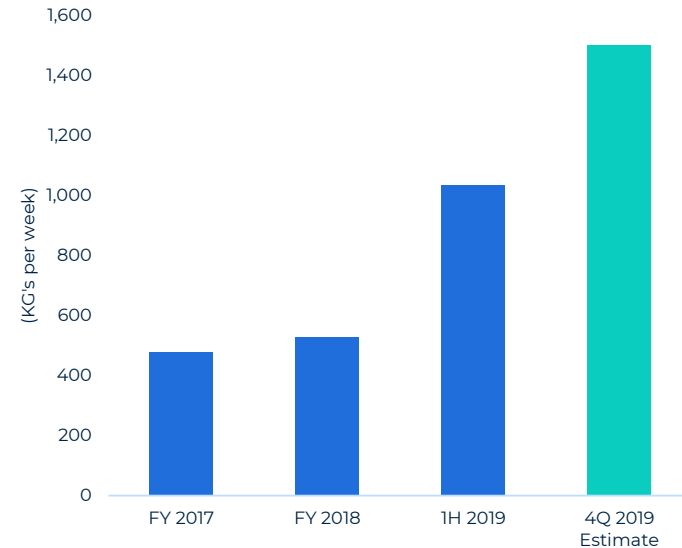
Production capacity will increase by a further 50% to >1,500kg/week by 4Q 2019 with <\$100k capital investment, equating to API production capacity of 70t per annum into FY20.

The API business unit is capable of producing c\$40m (AUD) of revenue per annum and it is expected that capacity will need to double again within the next 12 months to meet future demand which will require further capex expansion.

A new multi-year supply agreement was secured in July 2019 for 24t of Codeine Phosphate per annum with a minimum term of 3 years and total contracted revenue of not less than US\$25m.

First Codeine Phosphate sales into a prominent and rapidly urbanising South-East Asia developing economy during 1H19.

## Codeine Phosphate Production Per Week (KG's)



# FINISHED DOSAGE FORMULATION (FDF)

## *Continued improvement in CMO manufacturing during the half; opportunities for further improvement identified*

Further improvement in both tableting and packaging uptime was achieved during 1H19, and opportunities to further improve plant utilisation levels have been identified.

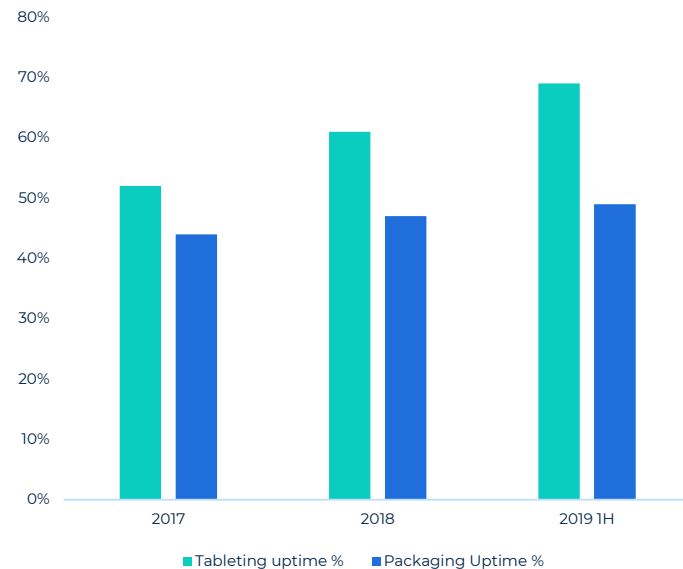
Non-opiate contract manufacturing (CMO) production remained challenging during the half, due to the bespoke nature of the contract and range of products needing to be produced.

The non-opiate CMO contract requires short runs of differing products, resulting in significant production downtime for product changeover and line cleaning.

The CMO operation is focussed in the medium term on moving from a bespoke non-opiate producer to a primarily opiate-based CMO manufacturer with greater margin opportunity.

There was a marginal decrease in tablets packed during 1H19 on an annualised run-rate basis, primarily due to a loss of production in January 2019 with the installation of serialisation equipment as per a new EU directive on all 3 packaging lines.

### Current Uptime and Opportunity for Improvement





# FURTHER GROWTH OPPORTUNITIES

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# FURTHER TRANSACTION BEING CONSIDERED

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## *Downstream value-add acquisition opportunity*

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Palla Pharma is currently in preliminary exclusive discussions with a private licensed pharmaceutical company located in Europe.

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This portfolio represents a strong strategic fit for Palla Pharma and will allow us to access, Codeine Phosphate based marketing authorisations, codeine phosphate customer contracts for CMO, BRANDED and GENERIC FDF, significant tableting and packaging capability in one of the largest codeine phosphate markets globally.

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Subject to satisfactory completion of due diligence, agreement of documentation and Board approval, the acquisition could be expected to be finalised at the conclusion of this calendar year.

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Although the transaction remains subject to various conditions and approvals, including confidentiality, if completed it would allow Palla Pharma to secure additional gross margin across the whole value chain including the final Finished Dosage stage which requires the ownership of marketing authorisations.

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# KEY RISKS & INTERNATIONAL OFFER RESTRICTIONS

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# KEY RISKS

This section sets out some of the key risks associated with any investment in PAL, together with risks relating to participation in the Entitlement Offer and Placement which may affect the value of securities in PAL. The risks set out are not listed in order of importance and do not constitute an exhaustive list of all risks involved with an investment in PAL.

Before investing in PAL you should be aware that a number of risks and uncertainties, which are both specific to PAL and of a more general nature, may affect the future operating and financial performance of PAL and the value of PAL shares.

Before investing in PAL shares, you should carefully consider the risk factors and your personal circumstances. Potential investors should consider publicly available information on PAL (such as that available on the ASX website), and consult their stockbroker, solicitor, accountant or other professional advisor before making an investment decision.

Nothing in this presentation is financial product advice and this document has been prepared without taking into account your investment objectives or personal circumstances.

<b>Environment</b>	PAL operates in a regulatory environment that establishes high standards in terms of environmental compliance. Any material failure by PAL to adequately control hazardous substances and manufacturing operations, including the discharge of waste material, or to meet its various statutory and regulatory environmental responsibilities, could result in significant liabilities as well as ongoing costs relating to operations inefficiencies which may arise.
<b>Market Conditions</b>	The price at which PAL shares are quoted on ASX may increase or decrease due to a number of factors outside PAL's control and which are not explained by the fundamental operations and activities of PAL. These factors may cause the shares to trade at prices above or below the price at which the shares were initially acquired. There is no assurance that the price of the shares will increase if they are quoted on ASX.
<b>Potential Acquisition</b>	There is a risk that the potential acquisition referred to in this presentation may not occur at all, due to among other factors, failure to satisfy due diligence requirements, failure to reach an agreement, failure to satisfy any conditions precedent in such agreement and failure to obtain any necessary regulatory approvals for such agreement. If the acquisition does not complete for any reasons, PAL will consider options in relation to the use of funds raised under the Entitlement Offer.
<b>Dilution Risk</b>	If you do not take up all of your entitlement, then your percentage holding in PAL will be diluted by not participating to the full extent in the Entitlement Offer. Even if you do take up all of your Entitlement, your percentage holding in PAL will be diluted by the Placement (unless you are an institution and participate in the Placement or you apply for new shares in addition to your entitlement through the Top-Up Facility and you are successful in receiving an allocation equivalent to the full equivalent percentage of your holding in PAL.

# KEY RISKS (CONTINUED)

<b>Underwriting Risk</b>	PAL has entered into an Underwriting Agreement under which the underwriters have agreed to fully underwrite the Entitlement and Placement Offer, subject to the terms and conditions of the Underwriting Agreement. If certain conditions are not satisfied or certain events occur, the underwriters may terminate the Underwriting Agreement. Termination of the Underwriting Agreement may have a material impact on the proceeds raised under the Entitlement and Placement Offer. Termination of the Underwriting Agreement could materially adversely affect PAL's business, cash flow, financial condition and results of operations.
<b>Government licenses</b>	PAL is required to obtain licences and permits across many jurisdictions. The majority of the licences are renewed either annually or biannually. There is a risk that laws or regulations may be amended in Australia or elsewhere in a manner that restricts PAL's markets for saleable product and for raw material supply. Any such change may affect the ability of PAL to carry on its business and may have a material impact on PAL's financial performance and future prospects of the business.
<b>Agricultural Risk</b>	PAL's supply of poppy straw is subject to risks commensurate with any agricultural enterprise. A number of factors may adversely affect both supply volume and alkaloid content. The most common adverse environmental conditions that could affect poppy crops are flood, frosts, hail, wind, storms, fires, and excessive heat and/or rain during critical physiological periods. Drought or prolonged periods of irrigation water shortages may also lead to higher profitability to growers by planting alternative crops. PAL manages agricultural risk through the diversification of supply, however poor poppy crops may have a detrimental impact on PAL's operational and financial performance, including reputational risk associated with failing to deliver on key supply contracts.
<b>Sovereign Risk</b>	The narcotics industry in which PAL operates is highly regulated. Changes, whether as a result of changes in government or otherwise, in international, national or state conventions, laws or regulations relating to the growing, manufacture, export or sale of narcotic raw materials could materially impact PAL's ability to operate. This may adversely affect PAL's financial performance and future prospects.
<b>Loss of key personnel</b>	The manufacturers in the licit NRM sector and API sector are relatively small in number and, as a consequence, the number of people skilled in the industry is lower than other pharmaceutical sectors. PAL is currently operating as a relatively flat organisation and is reliant on a few key staff. PAL operates across two countries and has facilities in three jurisdictions. Management of a complex business that operates globally has a higher employee risk/complexity than a business which operates in one jurisdiction. Loss of a few key personnel could have a material impact on PAL's operations and may impact the financial performance and future prospects of the business.
<b>Sensitisation</b>	Licit NRM's are by their nature toxic. If used inappropriately, they can lead to death and excessive exposure can lead to long term sensitisation, which can result in employee or other claims. Any claims may be costly and may impact PAL's ability to manufacture and the financial performance and future prospects of the business.



## KEY RISKS (CONTINUED)

<b>Changes in accounting standards</b>	Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of PAL and its Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of PAL.
<b>Introduction of competing products</b>	Companies are continually exploring new products which provide pain relief and may not exhibit side effects related to the use of opiate based pain relief (such as respiratory depression and/or addiction). An introduction of a non-narcotic opiate without adverse side effects could have a material impact on PAL's ability to compete and may impact the financial performance and future prospects of the business.
<b>Subsidisation of competing crops</b>	Some countries (including the European Union) currently grant subsidies for certain crops. Should existing subsidies increase or new subsidies be introduced by relevant countries (including the European Union) for crops that compete with opium poppies for returns, this may have a material impact on PAL's ability to obtain raw material at a commercially viable price. This would impact PAL's ability to compete and may impact the financial performance and future prospects of the business.
<b>IP protection</b>	PAL's low cost water based, solvent-free extraction process is protected as a trade secret through the use of confidentiality agreements to ensure that the process is not reasonably ascertainable by others. A risk remains that a competitor could develop a similar low cost extraction process which would compete with PAL's main competitive advantage. Any new competitor with similar intellectual property may have a material impact on PAL's competitive position and may impact PAL's financial performance and future prospects.
<b>Diversion of material</b>	PAL employs state of the art security and has a highly regulated and monitored security system at its facilities. Despite this, any diversion (theft or illicit use) of material during manufacture, storage or freight could result in a loss of an operating licence or substantial fine and/or reputational damage. This may have a material impact on PAL's ability to compete and may impact the financial performance and future prospects of the business.
<b>Changes in regulation to limit supply into the US and other markets</b>	The US government has, from time to time, restricted the quota issued for importation of NRMs in response to the abuse of prescription medication. This restriction on quota could limit the opportunities for expansion in the US market. Other countries may take a similar view and/or change the scheduling and/or availability of pain relief medication. Such changes or quota restrictions may have a material impact on PAL's ability to operate and may impact the financial performance and future prospects of the business.

# KEY RISKS (CONTINUED)

<b>Competition</b>	PAL competes against both SOE and large multinationals. Both have a capacity to operate at a loss or compete aggressively for market share for a longer period than PAL. This may place pricing pressure on PAL and may impact PAL's ability to retain existing customers or attract new customers. If PAL cannot compete successfully, PAL's financial performance and the future prospects of the business may be adversely affected.
<b>Foreign exchange</b>	PAL sells NRM in US dollars and poppy seed in Euros. It buys its raw material (opium poppies) predominantly in Australian dollars and Euros. Any adverse change in currency could have a material impact on PAL's financial performance and future prospects of the business.
<b>Poppy seed price volatility</b>	Poppy seed is a commodity based product the price of which varies in response to supply and demand. The revenue derived from poppy seed offsets a portion of the cost of the poppy straw raw material and hence contributes to PAL's revenue and profit. The poppy seed market can be volatile and pricing can change rapidly. This volatility, in combination with €/AUD foreign exchange changes, could have a material impact on PAL's ability to compete and may impact the financial performance and future prospects of the business.
<b>Poppy seed purity</b>	Some countries, including the Czech Republic, are lobbying the EU to decrease the residual poppy straw dust (morphine content) in poppy seed. This would restrict the importation of poppy seed from high alkaloid countries, such as Australia and Spain. Should the EU accede to these demands the cost of purifying poppy seed could materially change. This may have a material impact on PAL's ability to compete and may impact the financial performance and future prospects of the business.
<b>API/FDF product recalls</b>	Product produced at an API/FDF level must be fit for human consumption and any manufacturing, documentation or regulatory errors will increase the risk of an adverse financial outcome including that associated with a public recall and enforcement actions. This may impact the financial performance and future prospects of the business.
<b>Changes in tax rules or their interpretation</b>	Changes in tax law, or changes in the way tax laws are interpreted may impact the tax liabilities of PAL, Shareholder returns, or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. Tax law is frequently being changed, both prospectively and retrospectively. Any actual or alleged failure to comply with, or any change in the application or interpretation of tax rules applied in respect of such transactions, may increase PAL's tax liabilities or expose it to legal, regulatory or other actions.
<b>Litigation</b>	In the ordinary course of business, PAL may be involved in possible disputes. These disputes could give rise to litigation. While the extent of any disputes and litigation cannot be ascertained at this time, any dispute or litigation may be costly and may adversely affect the operational and financial results of PAL.

# INTERNATIONAL OFFER RESTRICTIONS

This document does not constitute an offer of new ordinary shares (**New Shares**) of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below:

## **New Zealand**

The offer of the New Shares in New Zealand is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (**Exemption Notice**). The New Shares are (or, at the time of the Entitlement Offer, will be) overseas listed products (as defined in the Exemption Notice). The only retail investors (as defined in the Exemption Notice) to whom the New Shares will be offered in New Zealand are:

persons who, at the time fixed for determining entitlements to participate in the Entitlement Offer (i.e., 7pm (AEST) on the Entitlement Offer record date (**Record Date**)), are shareholders of the Company with registered addresses in New Zealand; or  
persons in whose favour an offer to which subparagraph (i) applies has been renounced.

The Entitlement Offer to retail investors in New Zealand will be made in a separate offer document to be prepared and issued to eligible retail investors and will be made in compliance with the law of the Commonwealth of Australia and any code, rules, or other requirements relating to the Entitlement Offer that apply in the Commonwealth of Australia.

The Company, in relation to its financial statements (as defined in the Exemption Notice), complies with the law and regulatory requirements of, or permitted by, the Commonwealth of Australia that relate to the preparation, content, auditing, and public filing of those statements. The Company's financial statements comply with Australian equivalents to International Financial Reporting Standards that are required or permitted in the Commonwealth of Australia.

The Entitlement Offer is not a regulated offer (as defined in the Financial Markets Conduct Act 2013 (**FMCA**)). This document is not a product disclosure statement (as defined in the FMCA) and is not required to, and does not, contain all the information that a product disclosure statement (as so defined) is required to contain. This document has not been registered or filed with, or approved by, any New Zealand regulatory authority under the FMCA. Other than in the Entitlement Offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMCA;
- meets the investment criteria specified in clause 38 of Schedule 1 of the FMCA;
- is large within the meaning of clause 39 of Schedule 1 of the FMCA;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMCA; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMCA.

## **NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES**

This document may not be distributed or released in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (US Securities Act), or the securities law of any state or other jurisdiction of the United States. The New Shares may not be offered or sold directly or indirectly, to persons in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US State securities laws.

# INTERNATIONAL OFFER RESTRICTIONS

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## **Hong Kong**

**WARNING:** This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## **Singapore**

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of the New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire the New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

# INTERNATIONAL OFFER RESTRICTIONS

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## **Netherlands**

This document has not been, and will not be, registered with or approved by any securities regulator in the Netherlands. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the Netherlands except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4) of the Prospectus Regulation, an offer of New Shares in the Netherlands is limited:

- to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation);
- to fewer than 150 natural or legal persons (other than qualified investors); or
- in any other circumstance falling within Article 1(4) of the Prospectus Regulation.

## **United Kingdom**

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members or creditors of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, as amended, or (ii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

# GLOSSARY

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**API** – Active Pharmaceutical Ingredient

**ASX** – Australian Stock Exchange

**AUD** – Australian Dollar

**Cesamet** - derived from synthetic cannabinoid

**CMO** – Contract Manufacturing Organisation

**DEA** – Drug Enforcement Agency

**Operating EBITDA** - Operating EBITDA is a non-GAAP financial measure – refer 2019 Half Year Results presentation for further information

**Epidiolex** - plant derived cannabinoid

**EPS** – Earnings Per Share

**FDA** – Food and Drug Administration

**FDF** – Finish Dosage Formulation

**Fentanyl** – Synthetic Opioid

**GM** – Gross Margin

**Invoice Finance** – A revolving loan facility where loan drawdowns are based on a percentage advance rate of approved customer payments against those sales invoices are received

**Marinol** - synthetic tetrahydro cannabinoid

**Naloxone** – Narcotic Raw Material based antidote for opioid and fentanyl overdoses

**NIH** – National Institute of Health

**NRM** – Narcotic Raw Material

**PAL** – Palla Pharma Limited

**QA** – Quality Assurance

**R&D** – Research and Development

**Thebaine** – An alkaloid that is used for the production of oxycodone, buprenorphine and naloxone

**USD** – United States dollar

**TGA** – Therapeutic Goods Administration

**WHO** – World Health Organisation



PALLA PHARMA

## 4 Australian Tax considerations

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This section summarises certain Australian income tax, capital gains tax (**CGT**), goods and services tax (**GST**) and stamp duty implications of the Entitlement Offer for Eligible Shareholders who hold their New Shares on capital account.

This section does not take account of the individual circumstances of particular Eligible Shareholders and does not constitute tax advice. For instance, this section does not consider the position of Eligible Shareholders who:

- are not resident solely in Australia for Australian income tax purposes;
- are in the business of security trading, or who hold their existing shares on revenue account or as trading stock (including shareholders such as banks, insurance companies and shareholders carrying on a business of security trading);
- are exempt from Australian income tax;
- acquired their existing shares under an employee share or option plan, or in return for services provided; or
- are subject, or have elected to become subject, to the Taxation of Financial Arrangements (**TOFA**) provisions of the Australian income tax law.

This section does not purport to be a complete analysis of the potential tax consequences of the Entitlement Offer and is intended only to provide a general guide to the Australian tax implications. Eligible Shareholders should seek advice from an appropriate professional advisor in relation to the tax implications of the Entitlement Offer based on their own individual circumstances.

The comments below are based on the Australian tax law as it applies as at 9:00am (Melbourne time) on Monday 21 October. Other than as expressly discussed, the comments do not take into account or anticipate changes in Australian tax law or future judicial interpretations of law after this time unless otherwise specified.

### 4.1 Issue of Entitlement

The issue of the Entitlement should not in itself result in any amount being included in the assessable income of an Eligible Shareholder.

### 4.2 Exercise of Entitlement and applying for additional New Shares

New Shares will be acquired where the Eligible Shareholder exercises (i.e. takes up) all or part of their Entitlement under the Entitlement Offer. Additional New Shares will be acquired where the Eligible Shareholder elects to acquire additional New Shares under the Top Up Facility.

An Eligible Shareholder will not derive any assessable income, or make any capital gain or capital loss, at the time of exercising their Entitlement under the Entitlement Offer or acquiring additional New Shares under the Top Up Facility.

For Australian CGT purposes, New Shares will be taken to have been acquired on the day that an Eligible Shareholder exercises their Entitlement and additional New Shares will be taken to have been acquired on the date the additional New Shares were issued to the Eligible Shareholder. Each of the additional New Shares will constitute a separate asset for CGT purposes.

The cost base of each New Share and additional New Share will be equal to the Offer Price payable for each New Share and additional New Share respectively (plus any non-deductible incidental costs the Eligible Shareholder incurs in acquiring the New Shares and additional New Shares). For CGT purposes, the Eligible Shareholder will need to



apportion the cost of each New Share and additional New Share over the separate assets that comprise the Entitlement Offer on a reasonable basis.

#### **4.3 Lapse of Entitlement**

If an Eligible Shareholder does not accept all or part of their Entitlement in accordance with the instructions, that Entitlement will lapse and the Eligible Shareholder will not receive any consideration for their Entitlement that is not taken up. There should be no tax implications for an Eligible Shareholder from the lapse of the Entitlement.

#### **4.4 Distributions on New Shares**

Any future dividends or other distributions made in respect of New Shares or additional New Shares will generally be subject to the same income tax treatment as dividends or other distributions made on existing Shares held in the same circumstances.

#### **4.5 Disposal of New Shares or additional New Shares**

As each share comprising the Entitlement Offer is a separate CGT asset, the disposal of New Shares or additional New Shares will constitute a disposal for CGT purposes. Accordingly, the capital proceeds referable to the disposal of each individual share will need to be determined by apportioning the total capital proceeds received from the disposal of the New Shares or additional New Shares on a reasonable basis.

On disposal of a New Share or an additional New Shares, an Eligible Shareholder will make a net capital gain if the capital proceeds received on disposal exceed the total cost base of the New Share or additional New Share. An Eligible Shareholder will make a net capital loss if the capital proceeds are less than the total reduced cost base of the New Share or additional New Share.

Eligible Shareholders that are individuals or complying superannuation entities and that have held their New Shares or additional New Shares for 12 months or more (excluding the date of acquisition and the date of disposal) at the time of disposal should be entitled to apply the applicable CGT discount factor to reduce the capital gain (after offsetting capital losses). The CGT discount factor is 50% for individuals and trustees and 33.33% for complying superannuation entities. The CGT discount is not available to companies that are not trustees.

For the purpose of determining whether the New Shares have been held for 12 months or more (excluding the date of acquisition and the date of disposal), Eligible Shareholders will be taken to have acquired them when they exercise their Entitlement under the Entitlement Offer. For the purpose of determining whether the additional New Shares acquired under the Top Up Facility have been held for 12 months or more (excluding the date of acquisition and the date of disposal), Eligible Shareholders will be taken to have acquired them at the date the additional New Shares were issued.

Eligible Shareholders that make a capital loss can only use that loss to offset other capital gains from other sources (i.e. the capital loss cannot be used against taxable income on revenue account). However, if the capital loss cannot be used in a particular income year it may be carried forward for use in future income years, provided certain loss utilisation tests are satisfied and applicable.

#### **4.6 Taxation of Financial Arrangements**

The application of the TOFA provisions depends on the specific facts and circumstances of the Eligible Shareholder. Eligible Shareholders should seek advice from an appropriate professional advisor in relation to the implications of the TOFA provisions.

#### **4.7 Tax File Number**

If an Eligible Shareholder has quoted their Australian Business Number (**ABN**), Tax File Number (**TFN**) or an exemption from quoting their TFN exists, this quotation or exemption

will also apply in respect to any New Shares or additional New Shares acquired by that Eligible Shareholder.

#### **4.8 GST**

The taking up of the New Shares and additional New Shares will be classified as a "financial supply" for Australian GST purposes. Accordingly, Australian GST will not be payable in respect of amounts paid for the acquisition of the New Shares or additional New Shares. Subject to certain requirements, there may be a restriction on the entitlement of Eligible Shareholders to claim an input tax credit for any GST incurred on costs associated with the acquisition of New Shares or additional New Shares acquired under the Top Up Facility.

#### **4.9 Stamp duty**

No stamp duty should be payable in respect of the taking up of New Shares or additional New Shares.

## 5 Important information

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This Information Booklet (including the ASX announcements in Section 3) and enclosed personalised Entitlement and Acceptance Form have been prepared by Palla Pharma.

This Information Booklet is dated Thursday 17 October (other than the Investor Presentation, the announcement of the Capital Raising and completion of Institutional Offer published on the ASX website on Monday 21 October and the Institutional Offer Completion Announcement published on the ASX website on Monday 21 October). This Information Booklet remains subject to change without notice and Palla Pharma is not responsible for updating this Information Booklet.

There may be additional announcements made by Palla Pharma after the date of this Information Booklet and throughout the Retail Entitlement Offer Period that may be relevant to your consideration of whether to take up or do nothing in respect of your Entitlement. Therefore, you should check whether any further announcements have been made by Palla Pharma (by visiting the ASX website at [www.asx.com.au](http://www.asx.com.au)) before submitting your application to take up your Entitlement.

No party other than Palla Pharma has authorised or caused the issue of this Information Booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in this Information Booklet.

### **This Information Booklet is important and requires your immediate attention.**

You should read this Information Booklet carefully and in its entirety before deciding how to deal with your Entitlement. In particular, you should consider the risk factors outlined in the 'Key Risks' Section of the Investor Presentation included in Section 3 of this Information Booklet, any of which could affect the operating and financial performance of Palla Pharma or the value of an investment in Palla Pharma.

You should consult your stockbroker, accountant or other professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer.

### **5.1 Trading of New Shares**

It is the responsibility of each applicant to confirm their holding before trading in New Shares. Any applicant who sells New Shares before receiving written confirmation of their holding will do so at their own risk.

Palla Pharma and the Underwriters disclaim all liability whether in negligence or otherwise (to the maximum extent permitted by law) to persons who trade New Shares before receiving their holding statement, whether on the basis of confirmation of the allocation provided by Palla Pharma, the Share Registry or the Underwriters.

If you are in any doubt as to these matters, you should first consult with your stockbroker, accountant or other independent professional adviser.

### **5.2 Eligible Retail Shareholders**

This Information Booklet contains an offer of New Shares to Eligible Retail Shareholders in Australia and New Zealand, and has been prepared in accordance with section 708AA of the Corporations Act as modified by ASIC Corporations (Non-Traditional rights Issues) Instrument 2016/84. Accordingly, neither this Information Booklet nor the Entitlement and Acceptance Form are required to be lodged or registered with ASIC and no prospectus for the Entitlement Offer will be prepared. These documents do not contain, or purport to contain, all of the information that a prospective investor may require in evaluating a possible investment in Palla Pharma. They do not and are not required to contain all of the information which would be required to be disclosed in a prospectus.

Retail Shareholders who are not Eligible Retail Shareholders are Ineligible Retail Shareholders. Palla Pharma reserves the right to determine whether a shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder.

Palla Pharma may (in its absolute discretion) extend the Retail Entitlement Offer to any institutional shareholder that was eligible to participate in the Institutional Entitlement Offer but was not invited to participate in the Institutional Entitlement Offer (subject to compliance with relevant laws).

### **5.3 Ineligible Retail Shareholders**

Palla Pharma has decided that it is unreasonable to make offers under the Retail Entitlement Offer to shareholders who have registered addresses outside Australia and New Zealand. Palla Pharma has had regard to the number of such holders in those places and the number and value of the New Shares that they would be offered, and the cost of complying with the relevant legal and regulatory requirements in those places.

Ineligible Retail Shareholders are not eligible to participate in the Retail Entitlement Offer due to securities laws restrictions on the offer of New Shares in certain jurisdictions.

### **5.4 Eligible Institutional Shareholders**

Eligible Institutional Shareholders are institutional shareholders to whom the Underwriters made an offer on behalf of Palla Pharma under the Institutional Entitlement Offer.

### **5.5 Ranking of New Shares**

New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally in all respects with existing Shares. The rights and liabilities attaching to the New Shares are set out in Palla Pharma's constitution, a copy of which is available online at Palla Pharma's website: <http://www.pallapharma.com/>.

### **5.6 Risks**

The Investor Presentation details important factors and risks that could affect the financial and operating performance of Palla Pharma. You should refer to the 'Key Risks' Section of the Investor Presentation which is included in Section 3 of this Information Booklet. You should consider these factors in light of your personal circumstances, including financial and taxation issues, before making a decision in relation to your Entitlement.

### **5.7 Reconciliation, Top Up Shares and the rights of Palla Pharma and the Underwriters**

The Entitlement Offer is a complex process and in some instances investors may believe that they will own more Shares than they ultimately did as at the Record Date or are otherwise entitled to more New Shares than initially offered to them. These matters may result in a need for reconciliation. If reconciliation is required, it is possible that Palla Pharma may need to issue additional New Shares to ensure that the relevant investors receive their appropriate allocation of New Shares. These additional New Shares would be issued, if required, at the Offer Price.

Palla Pharma also reserves the right to reduce the size of an Entitlement or number of New Shares allocated to Eligible Institutional Shareholders or Eligible Retail Shareholders, or persons claiming to be Eligible Institutional Shareholders or Eligible Retail Shareholders or other applicable investors, if Palla Pharma believes in its complete discretion that their claims are overstated or if they or their nominees fail to provide information requested to substantiate their claims. In that case, Palla Pharma may, in its discretion, require the relevant shareholder to transfer excess New Shares to the Underwriters at the Offer Price per New Share. If necessary, the relevant Shareholder may need to transfer existing Shares held by them or to purchase additional Shares on-market to meet this obligation. The relevant Shareholder will bear any and all losses caused by subscribing for New Shares in excess of their Entitlement and any actions they are required to take in this regard.

By applying under the Entitlement Offer, those doing so irrevocably acknowledge and agree to do the above as required by Palla Pharma in its absolute discretion. Those applying acknowledge that there is no time limit on the ability of Palla Pharma nor the Underwriters to require any of the actions set out above.

#### **5.8 No cooling off rights**

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted.

#### **5.9 Rounding of Entitlements**

Where fractions arise in the calculation of an Entitlement, they will be rounded up to the nearest whole number of New Shares.

#### **5.10 Notice to nominees and custodians**

If Palla Pharma believes you hold Shares as a nominee or custodian you will have received, or will shortly receive, a letter in respect of the Entitlement Offer. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to Eligible Institutional Shareholders who were invited to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not) and Institutional Shareholders who were treated as ineligible institutional shareholders under the Institutional Entitlement Offer.

Persons acting as nominees for other persons must not take up any Entitlements on behalf of, or send any documents related to the Retail Entitlement Offer to, any person in the United States or any person that is acting for the account or benefit of a person in the United States. Persons in the United States and persons acting for the account or benefit of persons in the United States will not be able to take up any of their Entitlements and may receive no value for any such Entitlements held.

Nominees and custodians may not distribute any part of this Information Booklet, or take up Entitlements on behalf of persons, in the United States or in any other country outside Australia except to beneficial shareholders who are professional or institutional shareholders in other countries (other than the United States) where Palla Pharma may determine it is lawful and practical to make the Retail Entitlement Offer.

Palla Pharma is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of existing Shares or Entitlements.

#### **5.11 Not investment advice**

This Information Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Palla Pharma is not licensed to provide financial product advice in respect of the New Shares. This Information Booklet does not purport to contain all the information that you may require to evaluate a possible application for New Shares, nor does it purport to contain all the information which would be required in a prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with Palla Pharma's other periodic statements and continuous disclosure announcements lodged with ASX, which are available at <http://www.pallapharma.com/>.

Prospective investors should conduct their own independent investigation and assessment of the Retail Entitlement Offer and the information contained in, or referred to in, this Information Booklet. An investment in Palla Pharma is subject to investment risk including possible loss of income and principal invested. Before deciding whether to apply for New Shares, you should consider all materials sent to you in relation to the Retail Entitlement Offer and any relevant materials lodged with ASX, and whether the New Shares are a suitable investment for you in light of your own investment objectives, financial

circumstances and investment needs (including financial and taxation issues) and having regard to the merits or risks involved (including the 'Key Risks' set out in the Investor Presentation). If, after reading the Information Booklet, you have any questions about the Retail Entitlement Offer, you should contact your stockbroker, accountant or other professional adviser or call the Palla Pharma Offer Information Line on 1300 794 935 between 8.30am and 5.30pm (Melbourne time) Monday to Friday during the Retail Entitlement Offer Period.

#### **5.12 Quotation and trading**

Palla Pharma has applied to the ASX for official quotation of the New Shares in accordance with the ASX Listing Rule requirements. If ASX does not grant quotation of the New Shares, Palla Pharma will repay all Application Money (without interest).

Subject to approval being granted, it is expected that normal trading of New Shares allotted under the Retail Entitlement Offer will commence on Tuesday 19 November.

#### **5.13 Continuous disclosure**

Palla Pharma is a "disclosing entity" under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including the preparation of annual reports and half yearly reports.

Palla Pharma is required to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the stock markets conducted by ASX. In particular, Palla Pharma has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of Palla Pharma shares. That information is available to the public from ASX.

Some documents are required to be lodged with ASIC in relation to Palla Pharma. These documents may be obtained from, or inspected at, an ASIC office.

#### **5.14 Information Booklet availability**

If you are in Australia or New Zealand, you can call the Palla Pharma Offer Information Line on 1300 794 935 between 8.30am and 5.30pm (Melbourne time) Monday to Friday during the Retail Entitlement Offer Period to order a copy of this Information Booklet.

A replacement Entitlement and Acceptance Form can also be requested by calling the 1300 794 935.

If you access the electronic version of this Information Booklet, you should ensure that you download and read the entire Information Booklet.

#### **5.15 Foreign jurisdictions**

This Information Booklet has been prepared to comply with the requirements of the securities laws of Australia. To the extent that you hold Shares or Entitlements on behalf of another person resident outside Australia, it is your responsibility to ensure that any participation (including for your own account or when you hold Shares or Entitlements beneficially for another person) complies with all applicable foreign laws and that each beneficial owner on whose behalf you are submitting the personalised Entitlement and Acceptance Form is not in the United States and not acting for the account or benefit of a person in the United States.

The New Shares are not being offered or sold to the public within New Zealand other than to existing Shareholders of Palla Pharma with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand).

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document

is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Palla Pharma has determined that it is unreasonable to extend the Retail Entitlement Offer to Ineligible Retail Shareholders because of the small number of such Shareholders, the number and value of Shares that they hold and the cost of complying with the applicable regulations in jurisdictions outside Australia and New Zealand.

This Information Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Retail Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia.

The distribution of this Information Booklet (including an electronic copy) outside Australia is restricted by law. If you come into possession of this Information Booklet, you should observe such restrictions. See the foreign selling restrictions set out in the "Foreign Jurisdictions" section of the Investor Presentation included in Section 3 of this Information Booklet for more information.

Any non-compliance with these restrictions may contravene applicable securities laws.

#### **5.16 Underwriting of Entitlement Offer**

Palla Pharma has entered into an underwriting agreement (**Underwriting Agreement**) with Morgans Corporate Limited and Shaw and Partners Limited (the **Underwriters**) who have agreed to fully underwrite the Entitlement Offer. As is customary with these types of arrangements:

- the obligations of the Underwriters to underwrite the Capital Raising are subject to the satisfaction of certain conditions precedent in respect of the Capital Raising including compliance with applicable law, satisfactory due diligence and offer documentation;
- Palla Pharma has agreed, subject to certain carve-outs, to indemnify the Underwriters, their affiliates and related bodies corporate, and each of their respective directors, officers, agents, employees, representatives or advisers from and against all losses directly or indirectly suffered or incurred in connection with the Capital Raising;
- Palla Pharma has given certain representations, warranties and undertakings in connection with (among other things) the Entitlement Offer including as to Palla Pharma's accounts, compliance with applicable law, due diligence and offer documentation;
- the Underwriters may terminate the Underwriting Agreement and be released from their obligations under it on the occurrence of certain events including, if any of the following events occurs:
  - Palla Pharma is removed from the official list of ASX;
  - the S&P/ASX 300 Index falls by 10% or more from the level as at the close of trading on the business day immediately prior to the date of the Underwriting Agreement;
  - Palla Pharma ceases to be admitted to the official list of the ASX, its ordinary shares are suspended from trading or quotation or ASX refuses to grant quotation to the New Shares is not given by ASX;

- Palla Pharma alters its capital structure without the consent of the Underwriters;
- there is a delay of more than one business day for any event listed in the Underwriting Agreement timetable without the Underwriters' prior consent;
- Palla Pharma withdraws the Entitlement Offer;
- Palla Pharma fails to furnish any closing certificate required to be provided under the Underwriting Agreement or a statement in that certificate is untrue or incorrect;
- the offer documents include any forecast, expression of opinion, belief, intention or expectation which is not based on reasonable grounds;
- any circumstance arises that results in Palla Pharma either repaying the money received from applicants or offering applicants an opportunity to withdraw their acceptances;
- there occurs a new circumstance that has arisen since the announcement of the Capital Raising that would have been required to be included in the offer materials if it had arisen before the offer materials were given to ASX;
- an insolvency event occurs;
- an adverse change occurs in the assets, liabilities, financial position or performance, profit, losses or prospects of Palla Pharma from the position disclosed in the information publicly available or the offer documents prior to the date of the Underwriting Agreement;
- a force majeure event occurs;
- any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of Palla Pharma to the Underwriters in respect of the Entitlement Offer is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including, by omission);
- the Company, its directors, Chief Executive Officer or Chief Financial Officer is charged with any fraudulent conduct;
- a director or Chief Executive Office, or Chief Financial Officer of Palla Pharma;
  - is charged with an indictable offence or any government agency commences any public action against the director in his or her capacity as a director of Palla Pharma or announces that it intends to take any such action; or
  - is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- a change in the senior management or board of directors of Palla Pharma occurs without the Underwriter's consent;



- ASIC issues or threatens to issue proceedings in relation to the Capital Raising or commences a prosecution of Palla Pharma or any director or employee of the Palla Pharma;
- there is an application to any other government agency for any order, declaration or other remedy, or any other government agency commences any other investigation or hearing or announces its intention to do so, in each case in connection with the Capital Raising;
- any representation or warranty given or made by Palla Pharma under the Underwriting Agreement is breached or becomes untrue or incorrect;
- a scheme of arrangement or reconstruction is announced by Palla Pharma;
- there is a change in relevant law or policy in Australia;
- if any of the obligations of the relevant parties under any of the contracts that are material to the business of Palla Pharma are not capable of being performed in accordance with their terms or if all or any part of any of such contract;
- Palla Pharma contravenes the Corporations Act, its Constitution, any of the ASX Listing Rules, any other applicable law or regulation or order or request made by or on behalf of ASIC, ASX or any government agency;
- a disruption in financial markets which makes it impossible or impracticable to settle the New Shares; or
- hostilities arise involving Australia, the European Union, the United States of America, the United Kingdom or the international financial markets or any change in national or international political, financial or economic conditions.

The ability of the Underwriters to terminate the Underwriting Agreement in respect of some events will depend upon: whether the event has, or is likely to have (individually or in the aggregate), a material adverse effect on the success or settlement of the Entitlement Offer, or the business, financial position or prospects of Palla Pharma; or whether it may give rise to a liability of the Underwriters.

The Underwriters will be paid a 4% underwriting fee and a 1% management fee on the proceeds of the Capital Raising for providing these services and will be reimbursed for certain expenses.

Neither the Underwriters nor any of their related bodies corporate and affiliates, nor any of their respective directors, officers, partners, employees, representatives, advisers or agents have authorised or caused the issue of this Information Booklet, or made or authorised the making of any statement that is included in this Information Booklet or any statement on which a statement in this Information Booklet is based, and they do not take any responsibility for this Information Booklet or any action taken by you on the basis of such information. To the maximum extent permitted by law, the Underwriters and each of their related bodies corporate and affiliates and each of their respective directors, officers, partners, employees, representatives, advisers or agents exclude and disclaim all liability for any expenses, losses, damages or costs incurred by you (directly or indirectly) as a result of your participation in the Entitlement Offer and this Information Booklet being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise. Neither the Underwriters nor any of their related bodies corporate and affiliates nor their respective directors, officers, partners, employees, representatives, advisers or agents make any recommendations as to whether you or your related parties should participate in the Entitlement Offer nor do they make any representations or warranties to you

concerning this Entitlement Offer, or any such information and you represent, warrant and agree that you have not relied on any statements made by the Underwriters or any of their related bodies corporate and affiliates or any of their respective directors, officers, partners, employees, representatives, advisers or agents in relation to the New Shares or the Entitlement Offer generally.

#### **5.17 Governing Law**

This Information Booklet, the Retail Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in Victoria, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

#### **5.18 Disclaimer of representations**

No person is authorised to give any information, or to make any representation, in connection with the Retail Entitlement Offer that is not contained in this Information Booklet.

Any information or representation that is not in this Information Booklet may not be relied on as having been authorised by Palla Pharma, or its related bodies corporate, in connection with the Retail Entitlement Offer. Except as required by law, and only to the extent so required, neither Palla Pharma, nor any other person, warrants or guarantees the future performance of Palla Pharma or any return on any investment made pursuant to this Information Booklet or its content.

#### **5.19 Withdrawal of the Entitlement Offer**

Palla Pharma reserves the right to withdraw all or part of the Entitlement Offer and this Information Booklet at any time, subject to applicable laws, in which case Palla Pharma will refund Application Money in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest. In circumstances where allotment under the Institutional Entitlement Offer has occurred, Palla Pharma may only be able to withdraw the Entitlement Offer with respect to New Shares to be issued under the Retail Entitlement Offer.

To the fullest extent permitted by law, you agree that any Application Money paid by you to Palla Pharma will not entitle you to receive any interest and that any interest earned in respect of Application Money will belong to Palla Pharma.

#### **5.20 Privacy**

Palla Pharma collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's shareholding in Palla Pharma.

By submitting an Entitlement and Acceptance Form, you will be providing personal information to Palla Pharma (directly or through the Share Registry). Palla Pharma collects, holds and will use that information to assess your Application. Palla Pharma collects your personal information to process and administer your shareholding in Palla Pharma and to provide related services to you. Palla Pharma may disclose your personal information for purposes related to your shareholding in Palla Pharma, including to the Share Registry, Palla Pharma's related bodies corporate, agents, contractors and third party service providers (including mailing houses and professional advisers) and to ASX and regulatory bodies. You can obtain access to personal information that Palla Pharma holds about you. To make a request for access to your personal information held by (or on behalf of) Palla Pharma, please contact Palla Pharma through the Share Registry.

## 6 Glossary

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<b>Applicant</b>	means a person who has completed a valid Application
<b>Application</b>	the payment of the relevant Application Money via BPAY® in accordance with the instructions on the Entitlement and Acceptance Form or the submission of a completed Entitlement and Acceptance Form accompanied by the relevant Application Money
<b>Application Money</b>	the total amount payable for the New Shares applied for via BPAY® or a completed Entitlement and Acceptance Form
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited ABN 98 009 624 691, or the financial market operated by it, as the context requires
<b>Capital Raising</b>	the Institutional Placement and the Entitlement Offer
<b>Closing Date</b>	5.00pm (Melbourne time) on Monday 11 November
<b>Corporations Act</b>	Corporations Act 2001 (Cth)
<b>Eligible Institutional Shareholder</b>	<p>in accordance with sections 708(8) and 708(11) of the Corporations Act respectively, a sophisticated or professional Shareholder on the Record Date who:</p> <ul style="list-style-type: none"><li>○ is not an Ineligible Institutional Shareholder; and</li><li>○ has successfully received an invitation from the Underwriters to participate in the Institutional Offer (either directly or through a nominee)</li></ul>
<b>Eligible Retail Shareholder</b>	<p>a person who:</p> <ul style="list-style-type: none"><li>○ is registered as a holder of Shares as at the Record Date;</li><li>○ has a registered address on the Palla Pharma share register in Australia or New Zealand;</li><li>○ is not in the United States and is not acting for the account or benefit of a person in the United States;</li><li>○ was not invited to participate (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and was not treated as an ineligible institutional shareholder under the Institutional Entitlement Offer; and</li><li>○ is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.</li></ul>
<b>Entitlement</b>	the right to apply for 2 New Shares for every 5 Existing Shares held as at the Record Date, at the Offer Price of \$0.70 per New Share, pursuant to the Entitlement Offer
<b>Entitlement and Acceptance Form</b>	the entitlement and acceptance form which accompanies this Information Booklet
<b>Entitlement Offer</b>	the Institutional Entitlement Offer and the Retail Entitlement Offer
<b>Existing Shares</b>	Shares already on issue on the Record Date
<b>Ineligible Institutional Shareholder</b>	a Shareholder who is an institutional Shareholder on the Record Date with a registered address outside Australia and New Zealand

	or any other jurisdiction that Palla Pharma and the Underwriters agree to whom Listing Rule 7.7.1(a) applies
<b>Ineligible Retail Shareholder</b>	a Shareholder (or beneficial owner of Shares) other than an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder on the Record Date with a registered address outside Australia and New Zealand or any other jurisdiction that Palla Pharma and the Underwriters agree to whom Listing Rule 7.7.1(a) applies
<b>Information Booklet</b>	this information booklet
<b>Institutional Entitlement Offer</b>	the accelerated non-renounceable pro rata entitlement offer to Eligible Institutional Shareholders
<b>Institutional Offer</b>	the Institutional Entitlement Offer and the Institutional Placement
<b>Institutional Placement</b>	the placement of 12 million New Shares to sophisticated and institutional investors to raise \$8.4 million, as announced on Monday 21 October
<b>Investor Presentation</b>	the presentation to investors released to ASX on Monday 21 October, included in Section 3 of this Information Booklet
<b>Listing Rules</b>	the Listing Rules of ASX
<b>New Shares</b>	Shares to be issued and allotted under the Capital Raising, including (if the context requires) the shortfall from the Entitlement Offer issued under the Top Up Facility or to the Underwriters or any sub-underwriters
<b>Offer Price</b>	\$0.70 per New Share
<b>Record Date</b>	7.00pm (Melbourne time) on Monday 21 October
<b>Retail Entitlement Offer</b>	the non-renounceable pro rata entitlement offer to Eligible Retail Shareholders to apply for 2 New Shares for every 5 Existing Shares held as at the Record Date at the Offer Price of \$0.70 per New Share.
<b>Retail Entitlement Offer Period</b>	the period that the Retail Entitlement Offer is open
<b>Share</b>	a fully paid ordinary share in the capital of Palla Pharma
<b>Share Registry</b>	Link Market Services Limited
<b>Shareholder</b>	a registered holder of Shares
<b>Theoretical Ex-Rights Price</b>	the theoretical ex-rights price calculated by reference to Palla Pharma's closing price on 16 October 2019 of \$0.83 per Share, being the last trading day prior to the announcement of the Entitlement Offer
<b>Top Up Facility</b>	the top up facility under which Eligible Retail Shareholders may apply for New Shares in excess of their Entitlement described in Section 2.9
<b>Palla Pharma</b>	Palla Pharma Limited ACN 107 872 453
<b>Underwriters</b>	Morgans Corporate Limited ABN 32 010 539 607 and Shaw and Partners Limited ABN 24 003 221 583
<b>Underwriting Agreement</b>	the underwriting agreement between Palla Pharma and the Underwriters dated 17 October 2019

## CORPORATE DIRECTORY

### **Palla Pharma Limited ACN 107 872 453**

#### **Registered Office**

c/- Link Market Services Limited  
Tower 4, 727 Collins Street  
Docklands VIC 3008

#### **Website**

<http://www.pallapharma.com/>

### **Palla Pharma Offer Information Line**

1300 794 935

Open between 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Retail Entitlement Offer Period

### **Palla Pharma Share Registry**

Link Market Services Limited  
Tower 4, 727 Collins Street  
Docklands VIC 3008

#### **Legal adviser**

Arnold Bloch Leibler  
Level 21, 333 Collins Street  
Melbourne VIC 3000  
[www.abl.com.au](http://www.abl.com.au)

### **Joint Lead Managers and Underwriters to the Entitlement Offer**

Morgans Corporate Limited ABN 32 010 539 607  
Level 29, 123 Eagle Street  
(GPO Box 202)  
Brisbane QLD 4000

and

Shaw and Partners Limited ABN 24 003 221 583  
Level 7, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000