



PALLA PHARMA

ASX ANNOUNCEMENT

Friday 6 November 2020

Investor Update

- **Codeine Phosphate Tablet and Caplet submission confirmed as minor change by UK medicines regulator (MHRA)**
- **Extension of working capital debt facility**
- **FY20 Outlook**

30mg Codeine Phosphate Tablet and Caplet Submission made to MHRA

Palla Pharma Limited (ASX:PAL), a fully integrated opiate manufacturer and supplier to the global pain relief market, has successfully completed the validation trials to support the application to the UK medicines regulator (MHRA) to manufacture and sell 30mg Codeine Phosphate/500mg Paracetamol tablets and caplets under the Marketing Authorisations (“MAs”) acquired in 2020.

The validation results were filed with the MHRA on 30 October, and on 3 November the MHRA confirmed in writing that the application was accepted. PAL and its regulatory consultants expect the business to be able to start manufacturing and selling these products in December 2020.

The ability to sell Finished Dosage MA products into the UK market will result in a strong revenue and EBITDA uplift in FY21. Revenue for every kg of Codeine Phosphate sold in tableted form is approximately 2.4 times higher than that sold as an Active Pharmaceutical Ingredient (API).

While PAL has prioritised the approval of the Codeine Phosphate / Paracetamol combination products to target the most significant market opportunity, further submissions to the MHRA will be completed in Q1 2021 for the remaining 4 Dihydrocodeine MAs acquired.

Extension of Debt Facility

To ensure adequate funding for continued growth, PAL has negotiated an extension of its working capital debt facility with major shareholder Washington H. Soul Pattinson and Company Limited (**WHSP**).

Key financial terms of the amended facility include a temporary limit increase to \$20 million (previously \$16 million) with the facility limit reducing to \$13 million in April 2021 with the Tasmania property sale proceeds and anticipated strong cash generation from MA product sales enabling accelerated debt reduction through 1H 2021. The maturity date of the facility has also been extended to February 2022 (previously August 2021). Importantly, the WHSP debt facility does not contain any early repayment penalties which allows PAL the option to seek to refinance the facility with lower cost bank debt when possible.

FY20 Outlook

While a stronger revenue, Gross Profit and EBITDA result is expected for 2H20 compared to 1H20, the delay in commencement of production of finished dose products under the MAs until early December combined with lower than expected sales of NRM will result in a negative EBITDA performance for FY20. Given the expected increase in revenue and margin from MA products, PAL expects to be EBITDA positive from Q1 FY21.

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This announcement has been approved for release by the Board of Directors.

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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 unique 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.

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