Palla Pharma Limited

ABN 26 107 872 453

Annual report for the year ended 31 December 2020

Appendix 4E

The following information is presented in accordance with ASX listing rule 4.3A.

1. Details of the reporting period and previous corresponding period

Reporting period:	year ended 31 December 2020
Previous corresponding period:	year ended 31 December 2019

2. Results for announcement to the market

		Consolidated entity		
		31 December 2020 $	31 December 2019 $	Change %
2.1	Revenue from ordinary activities	**23,737,729**	54,843,483	-56.7%
2.2	Loss from ordinary activities after tax attributable to members	**(34,756,056)**	(7,639,443)	-355.0%
2.3	Net loss for the period attributable to members	**(34,756,056)**	(7,639,443)	-355.0%

2.4 There were no dividends paid, recommended or declared during the current or previous reporting period.

2.5 The record date for determining entitlements to dividends – not applicable.

2.6 Supplementary commentary on figures presented in 2.1 to 2.4 above – please refer to the Preliminary Financial Report the year ended 31 December 2020 attached and Results Presentation issued 26 February 2021.

3. Consolidated statement of profit or loss and other comprehensive income

Please refer to the Preliminary Financial Report the year ended 31 December 2020 attached.

4. Consolidated statement of financial position

Please refer to the Preliminary Financial Report the year ended 31 December 2020 attached.

5. Consolidated statement of cash flows

Please refer to the Preliminary Financial Report the year ended 31 December 2020 attached.

6. Consolidated statement of changes in equity

Please refer to the Preliminary Financial Report the year ended 31 December 2020 attached.

7. Dividend payments

Not applicable.

8. Dividend reinvestment plans

Not applicable.

9. Net tangible assets per security

	Consolidated entity		
	31 December 2020	31 December 2019	Change
	$	$	%
Net tangible assets per security	0.25	0.43	-41.9%

10. Details of entities over which control has been gained or lost during the period

Not applicable.

11. Associate or joint venture entities

Not applicable.

12. Other significant information

Please refer to the Preliminary Financial Report the year ended 31 December 2020 attached.

13. Foreign entities

Not applicable.

14. Results commentary for period

Financial Results Summary

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Sales of:		
Narcotic Raw Material ("NRM") and Poppy Seed	**3,768,200**	8,043,325
Active Pharmaceutical Ingredients ("API")	**12,349,363**	18,860,079
Finished Dosage Formulations ("FDF")	**5,787,762**	27,781,990
Total sales	**21,905,325**	54,685,394
Statutory Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**(30,059,746)**	(2,174,672)
Statutory Earnings Before Interest and Tax (EBIT)	**(32,720,011)**	(4,688,558)
Statutory (Loss) for the year after tax	**(34,756,056)**	(7,639,443)
Net cash (outflow) from operating activities	**(14,778,704)**	(9,469,268)
Operating EBITDA	**(15,791,506)**	(311,751)

Operating EBITDA, a non-GAAP financial measure, is used internally within the Group to manage performance. It is determined by adding back to Statutory EBITDA significant non-recurring items (2020: $14.3 million related to impairment of goodwill, impairment of inventory, litigation settlement and acquisition related expenses / 2019: $1.9 million related to litigation settlement and acquisition related expenses) and deducting other income and gains on non-core asset disposals. A $15.5 million increase in the reported Operating EBITDA loss from $0.3 million for the 2019 full-year period to an Operating EBITDA loss of $15.8 million for the 2020 full-year period reflects a decline in Gross Profit.

The decline in Gross Profit is attributed to:

- Reduced API sales due to a major customer with committed contracted volumes having their manufacturing license suspended for a prolonged period and reduced API demand due to the impact of COVID-19 on delayed elective surgeries;
- Production inefficiencies associated with lower throughput from the missed API sales and timing of the planned early exit from a legacy non-opiate based FDF supply agreement in Norway, intended to free up production capacity for new Marketing Authorisation products, and production of these new products due to the delay in MA regulatory approvals;
- Rework of previous FDF product supplied to a Contract Manufacturing customer; and
- Reduced margin contribution from poppy seed sales following a reduction in domestic harvest growing area last growing season.

Whilst Gross Profit margins were expected to significantly improve through the second half of 2020 as a result of improved product mix and supply of opiate based FDF products via the newly acquired Marketing Authorisations, the delay in regulatory approval of the Marketing Authorisations manufacturing site transfer until February 2021 resulted in the improvement in Gross Profit margin being deferred.

Indirect Overhead costs were reduced by $3.1 million compared to the previous full year period due to the reset cost base in Norway from the non-opiate based supply agreement termination, and the $1.1 million contribution from government JobKeeper wage subsidy receipts in Australia. The reduction in cost base in Norway was not commensurate with the reduced revenue associated with the non-opiate based supply agreement termination and significantly impacted the profitability of the Group for the 2020 full-year period.

Sales revenue reduced to $21.9 million compared to $54.7 million for the corresponding full-year period. The reduction in sales was primarily driven by reduced API volumes from a major customer having their manufacturing license suspended, reduced API demand due to the impact of COVID-19 on delayed elective surgeries, and the planned early exit from the legacy non-opiate based FDF supply agreement from February 2020. NRM and Poppy Seed sales revenue was down $4.2 million from the previous full-year period due to reduced domestic poppy straw growing area with an increased focus on offshore poppy straw supply that is in a pelletised form without seed.

A trade receivables impairment loss charge of $1.0 million was recognised during the full-year ended 31 December 2020 in relation to API product shipped in 2019 to the major customer that had its manufacturing license suspended.

Despite these short-term setbacks, the business strengthened its foundation for the future with an increased focus on downstream, margin accretive Palla MA FDF sales, with the optionality of being carried out through inhouse or contract manufacturing. To support the strategy of increasing downstream margin accretive sales, the Group acquired seven opiate based marketing authorisations during 2020 and expanded its API production capacity to 70 tonne per annum. The Group continues to focus on increased poppy straw supply diversification and alkaloid yields for its NRM operations, via its Australian and Northern Hemisphere supply sources.

The Group reported a statutory loss after income tax for the full-year ended 31 December 2020 of $34.8 million (2019: $7.6 million) and a statutory Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") loss of $30.1 million (2019: $2.2 million).

Net finance expenses reduced for the 2020 full-year period to $2.0 million (2019: $2.9 million) due to reduced utilisation of working capital debt facilities. Net working capital reduced by $5.6m during the year due to the cessation of the legacy non-opiate based FDF supply agreement and the reduction in a contractual requirement to hold a safety stock buffer. This was offset by an increase in raw materials and work in progress inventory to protect against COVID-19 related supply chain disruptions, and also as a result of reduced API demand.

Net debt increased during the period to fund net cash outflows from operating activities and capital expenditure associated with the acquisition of the Marketing Authorisations.

COVID-19 restrictions and impacts on operations

In March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. In an effort to contain the spread of the virus, quarantine restrictions, travel restrictions, limitations on social gatherings, the closure of business and schools and other restrictive measures have been introduced across the world in jurisdictions in which the Group operates.

To date COVID-19 restrictions have had some impact on the financial performance of the Group, primarily from travel restrictions and social distancing limitations impacting on new market development activities, paracetamol shortages impacting Codeine Phosphate ordering patterns, the impact of delayed elective surgeries in Europe impacting Codeine Phosphate demand, the impact of potential new customers remaining focussed on managing their own businesses through the pandemic, along with additional freight cost imposts due to late flight cancellations for air freight. It is not possible to quantify the impacts of COVID-19 from other external factors impacting on the business for the full-year reporting period.

The Group remains subject to possible supply chain interruptions during the pandemic and are mitigating these risks by holding higher than normal inventory levels across all aspects of the business, which has impacted the Group's financial position. In many markets where the Group's is active, its products are classified as essential medication consistent with the World Health Organisation essential medicines listing and are exempted from many of the COVID-19 restrictions industries are otherwise experiencing.

In March 2020, the Group implemented strict COVID-19 safe operating procedures at its Melbourne and Norway production facilities, including the provision of additional Personal Protective Equipment, staggering shifts and breaks, and adherence to physical distancing requirements in shared working areas. To date these procedures have proved effective with minimal labour interruptions impacting manufacturing operations.

The Group has availed itself of COVID-19 government financial assistance measures in both Australia and Norway where applicable.

As a result of the evolving nature of the COVID-19 outbreak and rapidly evolving government policies of restrictive measures being put in place to contain it, as at the date of this report, it is not possible to reasonably estimate the potential financial effects of the COVID-19 outbreak on the future financial performance and financial position of the Group.

Marketing Authorisation acquisitions

During 2020, the Group acquired seven Marketing Authorisations for the supply of Finished Dosage products into the United Kingdom which all require an opiate based active ingredient as an excipient. The ownership of all of the Marketing Authorisations has been transferred to the Group and all necessary approvals for two most important MA's were granted in February 2021 for the change of site of manufacture for its Co-Codamol tablet and caplet products. The Group has prioritised the manufacturing site change of the Co-Codamol products to target the United Kingdom's most significant market opportunity. Further submissions will be made to the United Kingdom medicines regulator throughout 2021 for the remaining Marketing Authorisations acquired in 2020.

Raw Material Poppy Straw Supply and Poppy Seed

The Group had a reduced growing area for the 2019/20 domestic poppy growing season in Australia due to adverse weather events in NSW and a focus on further diversification of poppy straw sourcing towards Northern Hemisphere sources. The quality of Northern Hemisphere straw supply had improved based on product received during 2020, however the alkaloid content remains inferior compared to domestically sourced straw which impacted NRM production efficiencies during the year.

Although poppy seed sales pricing remained strong during the first half of 2020, with reduced domestic growing area, volumes sold for 2020 were lower than 2019. Northern Hemisphere sourced straw is in a pelletised form, and the Group does not benefit from poppy seed sales from this raw material input but derives benefits from a reduced purchase price of the pellets and risk mitigation through a dual hemisphere growing area diversification.

NRM production in Australia

The majority of the Group's NRM production is transferred to Norway for conversion into both Codeine Phosphate and Pholcodine API's. However, as the capacity of NRM production for the Group is currently greater than that of API production, external NRM sales will continue to be a revenue contributor in the short to medium term.

The Group continues to invest in research and development of its core NRM production process to further optimise the extraction process and increase production efficiencies. The unique water-based extraction process used in NRM production is delivering an extraction competitive cost advantage for the Group when the alkaloid content of straw is high, however inferior Northern Hemisphere sourced straw has impacted production efficiencies during 2020 and higher levels of Work in Progress inventory have been carried as a result. To address inventory levels being carried, a lower-straw input extraction process will be carried out during 2021 to reduce Work in Progress levels.

API production in Norway

During 2020 the Group experienced a decrease in API production and sales volumes compared to the previous full year period due to the loss of manufacturing license by a major customer for a prolonged period, softer API demand due to paracetamol shortages impacting ordering patterns, and the impact of delayed elective surgeries in Europe. Despite this, a major enhancement in production capacity achieved in the latter part of 2019 was carried forward into the first quarter of 2020 until production was reduced to match the lower demand experienced due to the major customer loss of volume.

While pricing across the industry remains at cyclical lows, the Group continues to attract new API at commercially attractive margins, demonstrating the Group's competitive cost advantage in API production.

FDF production in Norway

FDF production of non-opiate based products under contract manufacturing ("CMO") arrangements for third parties requires high levels of labour and working capital, and generated lower margins than the core businesses of the Group; NRM production and downstream conversion of NRM into API, and use of API in opiate based FDF products.

During early 2020, non-opiate based production remained a challenge due to the bespoke nature of the legacy non-opiate based contract and range of products needing to be produced. This required short production runs resulting in significant production downtime for product changeover and line cleaning. In late 2019 the Group successfully negotiated an early exit from its legacy non-opiate based CMO contract from March 2020. This planned transition freed up significant tableting capacity to direct towards higher-margin opiate-based products, while reducing operational costs and inventory holdings that were required to be contractually maintained as a safety buffer for this supply agreement. Production inefficiencies were experienced during the transition out of the CMO agreement which impacted Direct materials and labour costs incurred, leading to a lower reported Gross Profit for the Group during 2020 compared to the previous corresponding full-year period.

The early exit from the non-opiate based FDF supply agreement has positioned the Group for increased future profitability by releasing significant FDF tableting and packaging capacity to direct towards higher margin contribution opiate based FDF production through supply of opiate based FDF products via existing CMO supply agreements and the acquired Marketing Authorisations.

Reconciliation of Operating EBITDA to Statutory EBITDA and Loss After Tax

The consolidated financial statements comply with International Financial Reporting Standards (IFRS's) adopted by the International Accounting Standards Board (IASB). In the presentation of its financial results the Group uses a non-GAAP financial measure which is not prepared in accordance with IFRS being:

- Operating EBITDA: calculated by adding back (or deducting) finance expense / (income), income tax expense/(benefit), depreciation, amortisation, litigation settlement expenses, acquisition related expenses, transaction integration services, agricultural area trialling expenses, inventory impairments, goodwill impairments, losses from discontinued operations, gains/losses on disposal of non-core plant and equipment, and deducting other income and depreciation expense from discontinued operations, to net profit / (loss) after tax.

The Group uses this measure internally and believes that this non-GAAP financial measure provides useful information to readers to assist in the understanding of the Group's financial performance, financial position and returns, as it is the predominant measure of financial performance used by management. It represents the best measure of performance as a result of initiatives and activities directly controlled by management. Non-GAAP financial measures should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS. Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies.

The table below reconciles the Operating EBITDA to Statutory EBITDA and Loss After Tax:

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Statutory (Loss) after income tax	**(34,756,056)**	(7,639,443)
Add/(Less): Income tax expense/(benefit)	**-**	(138,193)
Add: Net finance expenses	**2,036,045**	3,089,078
Statutory Earnings Before Interest and Tax (EBIT)	**(32,720,011)**	(4,688,558)
Add: Depreciation and amortisation expense	**2,660,265**	2,513,886
Statutory Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**(30,059,746)**	(2,174,672)
<u>Add:</u>		
Acquisition related expenses - legal and other expenses	**293,976**	122,001
Loss/(gain) on disposal of non-core property, plant and equipment	**(1,631,741)**	(14,400)
Litigation settlement expenses	**851,165**	1,913,409
Impairment of goodwill	**13,955,503**	-
Impairment of inventory to net realisable value	**1,000,000**	-
<u>Deduct:</u>		
Other income	**(200,663)**	(158,089)
Operating EBITDA	**(15,791,506)**	(311,751)

15. Independent audit of financial statements

The financial statements presented in the Preliminary Final Report attached and the Annual Report for the year ended 31 December 2020 are in the process of being audited.

Given the current financial position of the Group and the Group's ability to continue as a going concern, the Group is undertaking an immediate capital raising. The release of the audited accounts has been delayed to enable the auditor to form a view on the going concern basis of the Group following the completion of the institutional component of the capital raising announced today, Friday, 26 February 2021. The Group considers it likely that the audit report will be subject to an emphasis of matter in relation to the Group's ability to continue to operate as a going concern.

Palla Pharma Limited

ACN 107 872 453

Preliminary final report
for the year ended 31 December 2020

Palla Pharma Limited ACN 107 872 453
Financial statements - 31 December 2020

Contents

These financial statements are the consolidated financial statements of the consolidated entity consisting of Palla Pharma Limited and its subsidiaries (referred to hereafter as the Group), and are based on the financial statements that are currently in the process of being audited. These financial statements are presented in Australian dollars ($), which is the Group’s functional currency.

The principal continuing activities of the Group are the production and distribution of Narcotic Raw Material ("NRM"), Active Pharmaceutical Ingredients ("API") and Finished Dosage Formulations ("FDF") for supply to international pharmaceutical markets, and the production and distribution of poppy seed for supply to international culinary markets.

Palla Pharma Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2020

	Notes	Consolidated entity **31 December 2020 $**	31 December 2019 $
Revenue			
Sales from contracts with customers		**21,905,325**	54,685,394
Profit on disposal of property, plant and equipment		**1,631,741**	14,400
Other income		**200,663**	158,089
	3	**23,737,729**	54,857,883
Expenses			
Raw materials, consumables and other production expenses		**(16,209,293)**	(29,169,271)
Employee benefits (production) expenses	4	**(6,950,996)**	(8,214,073)
Employee benefits (non-production) expenses	4	**(9,235,958)**	(11,076,501)
Legal and listing compliance expenses		**(348,682)**	(874,225)
Market development expenses		**(284,155)**	(1,033,829)
Occupancy expenses		**(2,252,564)**	(1,585,590)
Acquisition related expenses - legal and other expenses		**(293,976)**	(122,001)
Litigation settlement expenses		**(851,165)**	(1,913,409)
Consulting expenses		**(264,383)**	(487,120)
Outsourced quality consulting expenses		**(117,334)**	(461,740)
Impairment of goodwill		**(13,955,503)**	-
Impairment loss on trade receivables		**(1,050,000)**	-
Other expenses		**(1,983,466)**	(2,094,796)
Total expenses		**(53,797,475)**	(57,032,555)
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)		**(30,059,746)**	(2,174,672)
Depreciation and amortisation expense	4	**(2,660,265)**	(2,513,886)
Earnings Before Interest and Tax (EBIT)		**(32,720,011)**	(4,688,558)
Finance income		**27,055**	23,028
Finance expenses		**(2,063,100)**	(3,112,106)
Net finance expenses	4	**(2,036,045)**	(3,089,078)
(Loss) before income tax		**(34,756,056)**	(7,777,636)
Income tax expense		**-**	138,193
(Loss) for the year		**(34,756,056)**	(7,639,443)
Other comprehensive (loss)			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(704,234)**	(111,877)
Total comprehensive (loss) for the year		**(35,460,290)**	(7,751,320)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	Consolidated entity **31 December 2020 $**	31 December 2019 $
(Loss) is attributable to:			
Owners of Palla Pharma Limited		**(34,756,056)**	(7,639,443)
Total comprehensive (loss) for the year is attributable to:			
Owners of Palla Pharma Limited		**(35,460,290)**	(7,751,320)
		Cents	Cents
Earnings per share for the (loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic (loss) per share	24	**(27.60)**	(8.66)
Diluted (loss) per share	24	**(27.60)**	(8.66)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	Consolidated entity **31 December 2020** **$**	 31 December 2019 $
ASSETS			
Current assets			
Cash and cash equivalents	5	**609,665**	2,019,087
Trade and other receivables	6	**6,683,578**	11,507,068
Inventories	7	**26,890,559**	22,149,374
Contract assets	3	**816,701**	5,995,039
Prepayments		**1,584,247**	1,481,425
Total current assets		**36,584,750**	43,151,993
Non-current assets			
Other receivables	8	**-**	405,875
Investments	10	**-**	103,272
Property, plant and equipment	11	**23,517,976**	26,693,955
Right-of-use assets	12	**750,407**	-
Intangible assets	13	**4,310,976**	16,967,608
Inventories	9	**2,255,455**	2,250,585
Total non-current assets		**30,834,814**	46,421,295
Total assets		**67,419,564**	89,573,288
LIABILITIES			
Current liabilities			
Trade and other payables	14	**9,213,517**	8,907,120
Borrowings	15	**5,002,840**	467,424
Lease liabilities	12	**39,404**	-
Provisions	16	**1,793,791**	1,847,235
Total current liabilities		**16,049,552**	11,221,779
Non-current liabilities			
Trade and other payables	17	**1,063,352**	1,563,462
Borrowings	18	**13,000,000**	5,000,000
Lease liabilities	12	**493,937**	-
Provisions	19	**689,155**	378,044
Total non-current liabilities		**15,246,444**	6,941,506
Total liabilities		**31,295,996**	18,163,285
Net assets		**36,123,568**	71,410,003
EQUITY			
Contributed equity	20	**210,994,087**	210,997,191
Reserves	21	**3,067,948**	3,595,223
(Accumulated losses)		**(177,938,467)**	(143,182,411)
Total equity		**36,123,568**	71,410,003

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

		Attributable to owners of Palla Pharma Limited				
Consolidated entity	Notes	**Contributed equity $**	**Foreign currency translation reserve $**	**Other reserves $**	**(Accumulated losses) $**	**Total equity $**
Balance at 1 January 2019		181,482,260	915,308	2,448,159	(135,542,968)	49,302,759
(Loss) for the year		-	-	-	(7,639,443)	(7,639,443)
Other comprehensive (loss)		-	(111,877)	-	-	(111,877)
Total comprehensive (loss) for the year		**-**	**(111,877)**	**-**	**(7,639,443)**	**(7,751,320)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	20	29,514,931	-	-	-	29,514,931
Share-based payments		-	-	343,633	-	343,633
Total transactions with owners in their capacity as owners		29,514,931	-	343,633	-	29,858,564
Balance at 31 December 2019		**210,997,191**	**803,431**	**2,791,792**	**(143,182,411)**	**71,410,003**
Balance at 1 January 2020		210,997,191	803,431	2,791,792	(143,182,411)	71,410,003
(Loss) for the year		-	-	-	(34,756,056)	(34,756,056)
Other comprehensive loss		-	(704,234)	-	-	(704,234)
Total comprehensive (loss) for the year		**-**	**(704,234)**	**-**	**(34,756,056)**	**(35,460,290)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	20	(3,104)	-	-	-	(3,104)
Share-based payments		-	-	176,959	-	176,959
Total transactions with owners in their capacity as owners		(3,104)	-	176,959	-	173,855
Balance at 31 December 2020		**210,994,087**	**99,197**	**2,968,751**	**(177,938,467)**	**36,123,568**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Palla Pharma Limited
Consolidated statement of cash flows
For the year ended 31 December 2020

	Notes	**Consolidated entity 31 December 2020 $**	31 December 2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of VAT)		**32,851,432**	58,308,188
Payments to suppliers and employees (inclusive of GST and VAT)		**(45,718,650)**	(64,688,378)
		(12,867,218)	(6,380,190)
Interest received		**27,055**	23,028
Interest and finance costs paid		**(1,938,641)**	(3,112,106)
Net cash (outflow) from operating activities	22	**(14,778,804)**	(9,469,268)
Cash flows from investing activities			
Payments for property, plant and equipment	11	**(789,471)**	(1,879,368)
Payments for capitalised development costs and patents	13	**(1,435,955)**	(611,339)
Proceeds from sale of non-current assets		**2,887,168**	14,400
Proceeds from sale of investments		**104,065**	-
Net cash inflow (outflow) from investing activities		**765,807**	(2,476,307)
Cash flows from financing activities			
Share issuance transaction costs	20	**(3,104)**	(1,888,738)
Proceeds from issues of shares	20	**-**	30,980,882
Proceeds from borrowings	18	**16,991,982**	9,147,040
Repayment of borrowings	18	**(4,456,566)**	(26,548,650)
Net cash inflow from financing activities		**12,532,312**	11,690,534
Net (decrease) in cash and cash equivalents		**(1,480,685)**	(255,041)
Cash and cash equivalents at the beginning of the financial year		**2,019,087**	1,904,583
Effects of exchange rate changes on the balance of assets held in foreign currencies		**71,263**	369,545
Cash and cash equivalents at end of year	5	**609,665**	2,019,087

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of preliminary final report

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, it should be read in conjunction with the annual financial report for the year ended 31 December 2019 and the financial report for the six months ended 30 June 2020 and any public announcements made by the Group, in accordance with continuous disclosure requirements of the *Corporations Act 2001.* This preliminary final report has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards, Accounting Interpretations and the *Corporations Act 2001*.

This preliminary final report has been prepared based on historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for the assets. All amounts are presented in Australian dollars, unless otherwise noted. All values are rounded to the nearest dollar.

The accounting policies and methods of computation adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the Group's financial report for the year ended 31 December 2019 and the half year ended 30 June 2020.

This preliminary financial report was authorised for issue by the Group's Board of Directors on 26 February 2021.

(a) Significant accounting policies

The accounting policies applied in this preliminary financial report are the same as those applied in the Group's consolidated financial report as at and for the half year ended 30 June 2020.

(b) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2020 is included in the following notes:

Notes 11 and 13 - impairment test: key assumptions underlying recoverable amounts of property, plant and equipment and intangible assets.

1 Basis of preparation of preliminary final report (continued)

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business for a period of at least 12 months from the date that these financial statements are approved.

For the year ended 31 December 2020 the Group generated a loss after income tax of $34,756,056 (2019: $7,639,443) and had cash outflows from operations of $14,778,804 (2019: $9,469,268).

To facilitate the Group's working capital requirements, the Group has a standby debt facility in place with Washington H. Soul Pattinson and Company Limited, a substantial shareholder. The facility, which is secured against the assets of the Group, provides access to funds of a limit of up to $20,000,000 and has a maturity date of 28 February 2022 with the limit reducing to $13,000,000 on 30 April 2021.

The Directors are confident in the continued support from existing shareholders and the Group's ability to attract new investors and debt providers to fund growth and future working capital requirements, when required, as demonstrated by previous capital and debt raisings.

In the event that the forecast financial performance of the Group is not met as anticipated, and the Group is unable to attract new debt or equity funding, material uncertainty exists as to whether the Group may be able to continue as a going concern, and therefore it may be required to realise its assets and extinguish its liabilities other than in the normal course of business, and at amounts different to those stated in the financial report.

Further details of the going concern preparation basis of accounting will be provided in the Group's annual financial report for the year ended 31 December 2020 to be issued by the end of April 2021.

2 Segment information

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM') of the Group. The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The CODM has been identified as the CEO. Segment information is presented to the CEO comprising two segments: Australia and Norway.

Australia
Segment activities: Narcotic Raw Material and Poppy Seed production and distribution.

Norway
Segment activities: Active Pharmaceutical Ingredient and Finished Dosage production and distribution.

	Australia		**Norway**		**Eliminations**		**Consolidated**	
Consolidated entity	**31 December 2020 $**	**31 December 2019 $**	**31 December 2020 $**	**31 December 2019 $**	**31 December 2020 $**	**31 December 2019 $**	**31 December 2020 $**	**31 December 2019 $**
External revenue	**5,368,955**	**8,207,969**	**18,368,774**	**46,649,914**	**-**	**-**	**23,737,729**	**54,857,883**
Inter-segment revenue	**19,973,673**	**21,226,183**	**-**	**-**	**(19,973,673)**	**(21,226,183)**	**-**	**-**
Total segment revenue	**25,342,628**	**29,434,152**	**18,368,774**	**46,649,914**	**(19,973,673)**	**(21,226,183)**	**23,737,729**	**54,857,883**
Reportable segment (loss)/profit before tax	**(3,500,224)**	**(2,304,283)**	**(14,941,144)**	**(2,089,880)**	**(323,140)**	**(156,202)**	**(18,764,508)**	**(4,550,365)**
Unallocated amounts								
Net financing costs	**-**	**-**	**-**	**-**	**-**	**-**	**(2,036,045)**	**(3,089,078)**
Impairment of goodwill	**-**	**-**	**-**	**-**	**-**	**-**	**(13,955,503)**	**-**
Consolidated (loss) before tax	**-**	**-**	**-**	**-**	**-**	**-**	**(34,756,056)**	**(7,639,443)**

2 Segment information (continued)

	Australia		Norway		Eliminations		Consolidated	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Consolidated entity	$	$	$	$	$	$	$	$
Timing of External revenue recognition:								
Narcotic Raw Material & Poppy Seed - at a point in time	3,768,200	8,043,325	-	-	-	-	3,768,200	8,043,325
Active Pharmaceutical Ingredient - at a point in time	-	-	12,349,363	18,860,079	-	-	12,349,363	18,860,079
Finish Dosage Formulation - over time	-	-	5,787,762	27,781,990	-	-	5,787,762	27,781,990
Other revenue - at a point in time	1,600,755	164,644	231,649	7,845	-	-	1,832,404	172,489
	5,368,955	8,207,969	18,368,774	46,649,914	-	-	23,737,729	54,857,883

2 Segment information (continued)

	Consolidated entity 31 December 2020 $	31 December 2019 $
Non-current assets		
Australia	**28,210,686**	29,706,630
Europe	**2,624,128**	16,714,665
	30,834,814	46,421,295

3 Revenue

(a) Revenue streams

	Consolidated entity 31 December 2020 $	31 December 2019 $
From continuing operations		
Sale of goods		
Sales from contracts with customers	**21,905,325**	54,685,394
Other income		
Rental income	**90,015**	158,366
Macquarie Pipeline Partnership	**793**	(277)
Government grants - Cash flow boost	**4,573**	-
Other items	**105,282**	-
	200,663	158,089
Profit on disposal of property, plant and equipment	**1,631,741**	14,400
	23,737,729	54,857,883

(b) Contract balances

The following table provides information about receivables and contract assets from contracts with customers.

	Consolidated entity 31 December 2020 $	31 December 2019 $
Receivables, which are included in 'trade and other receivables'	**7,093,737**	11,269,118
Contract assets	**816,701**	5,995,039
	7,910,438	17,264,157

4 Expenses

	Consolidated entity	
	31 December 2020	31 December 2019
	$	$
(Loss) before income tax includes the following specific expenses:		
Employee benefits expenses		
Salaries and wages	**15,144,138**	16,613,290
Other associated personnel expenses	**230,994**	1,565,539
Defined contribution superannuation expenses	**604,210**	567,384
Increase in liability for long service leave	**84,097**	63,495
(Decrease)/increase in liability for annual leave	**(53,444)**	137,233
Share-based payments	**176,959**	343,633
Total employee benefits expenses	**16,186,954**	19,290,574

In the six months April to September 2020 the Group recognised $1,059,000 in government assistance in the form of the JobKeeper wage subsidy in Australia. This has been recognised as an offset to the salaries and wages expense line.

	Consolidated entity	
	31 December 2020	31 December 2019
	$	$
Depreciation		
Buildings	**373,946**	429,713
Contract equipment	**158,271**	171,866
Manufacturing plant and equipment	**1,752,034**	1,624,393
Office equipment	**213,881**	226,230
Motor vehicles	**22,816**	18,277
Right-of-use assets	**6,306**	-
Total depreciation	**2,527,254**	2,470,479
Amortisation		
Patents	**133,011**	43,407
Total amortisation	**133,011**	43,407
Total depreciation and amortisation	**2,660,265**	2,513,886

4 Expenses (continued)

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Finance income		
Interest income	**(27,055)**	(23,028)
	(27,055)	(23,028)
Finance costs		
Interest and finance expenses on financial liabilities measured at amortised cost	**1,274,769**	2,801,015
Unwind of discount on trade payable	**120,817**	-
Net exchange losses on foreign currency	**667,514**	311,091
	2,063,100	3,112,106
Net finance expenses recognised in profit or loss	**2,036,045**	3,089,078

5 Current assets - Cash and cash equivalents

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Cash at bank	**609,665**	2,019,087

6 Current assets - Trade and other receivables

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Trade receivables	**7,093,737**	11,269,118
Loss allowance	**(1,044,835)**	-
	6,048,902	11,269,118
Loans to related parties	**415,215**	-
Loans to key management personnel	**-**	19,402
Other receivables	**219,461**	218,548
	6,683,578	11,507,068

The balance of trade and other receivables of $6,683,578 (2019: $11,507,068) are not considered impaired.

7 Current assets - Inventories

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Raw materials and consumables	**3,904,701**	6,607,925
Work in progress	**20,275,119**	15,194,810
Finished goods	**2,710,739**	346,639
	26,890,559	22,149,374

During the year a provision for inventory write down decreased from $2,143,926 in 2019 to $2,057,134 in 2020. In addition, inventories have been reduced by $1,000,000 as a result of a write-down to net realisable value. The write-down is recognised as an expense during 2020. The write-down and reversal of provision is included in raw materials, consumables and other production expenses.

The work in progress balance recorded above is recorded net of this provision.

8 Non-current assets - Other receivables

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Loans to key management personnel	**-**	405,875

9 Non-current assets - Inventories

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Raw materials and consumables	**1,982,363**	1,977,493
Work in progress	**250,901**	250,901
Finished goods	**22,191**	22,191
	2,255,455	2,250,585

10 Non-current assets - Investments

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Macquarie River Pipeline Partnership - at fair value	**-**	103,272

The unlisted interest in the Macquarie River Pipeline Partnership has been designated at fair value through profit or loss because it is managed on a fair value basis. The Group recognised its share of profits generated by the Partnership during the year.

The interest in the Macquarie River Pipeline Partnership was disposed of in December 2020.

11 Non-current assets - Property, plant and equipment

Consolidated entity	**Land and buildings $**	**Manufacturing plant and equipment $**	**Office equipment $**	**Motor vehicles $**	**Contract plant and equipment $**	**Total $**
At 1 January 2019						
Cost	17,994,157	27,616,556	1,931,659	252,975	2,233,071	50,028,418
Accumulated depreciation	(7,810,246)	(12,820,530)	(597,530)	(167,184)	(870,656)	(22,266,146)
Net book amount	10,183,911	14,796,026	1,334,129	85,791	1,362,415	27,762,272
Year ended 31 December 2019						
Opening net book amount	10,183,911	14,796,026	1,334,129	85,791	1,362,415	27,762,272
Exchange differences	(4,983)	(391,278)	(80,923)	(22)	-	(477,206)
Additions	65,410	1,545,431	267,906	-	621	1,879,368
Depreciation charge	(429,713)	(1,624,393)	(226,230)	(18,277)	(171,866)	(2,470,479)
Closing net book amount	9,814,625	14,325,786	1,294,882	67,492	1,191,170	26,693,955
At 31 December 2019						
Cost	18,192,282	29,124,070	2,149,354	258,748	2,233,692	51,958,146
Accumulated depreciation	(8,377,657)	(14,798,284)	(854,472)	(191,256)	(1,042,522)	(25,264,191)
Net book amount	9,814,625	14,325,786	1,294,882	67,492	1,191,170	26,693,955

11 Non-current assets - Property, plant and equipment (continued)

Consolidated entity	Land and buildings $	Manufacturing plant and equipment $	Office equipment $	Motor vehicles $	Contract plant and equipment $	Total $
Year ended 31 December 2020						
Opening net book amount	9,814,625	14,325,786	1,294,882	67,492	1,191,170	26,693,955
Exchange differences	(22,837)	(137,957)	(28,254)	(28)	-	(189,076)
Additions	-	618,288	62,155	111,201	-	791,644
Disposals	(929,623)	(123,511)	(30,433)	(31,857)	(142,175)	(1,257,599)
Depreciation charge	(373,946)	(1,752,034)	(213,881)	(22,816)	(158,271)	(2,520,948)
Closing net book amount	8,488,219	12,930,572	1,084,469	123,992	890,724	23,517,976
At 31 December 2020						
Cost	9,403,975	27,754,209	1,897,218	249,801	1,595,517	40,900,720
Accumulated depreciation	(915,756)	(14,823,637)	(812,749)	(125,809)	(704,793)	(17,382,744)
Net book amount	8,488,219	12,930,572	1,084,469	123,992	890,724	23,517,976

Impairment testing

During the year ended 31 December 2020, the Group continued to record operating losses and accordingly has performed impairment testing to assess whether the recoverable amount of its property, plant and equipment and intangible assets is in excess of carrying value.

For the purpose of impairment testing the Group has defined two Cash Generating Units (CGU) the Australia CGU and the Norway CGU.

The recoverable amount for the CGU's was determined based on value-in-use calculations which require the use of assumptions.

Value in use as at 31 December 2020 was determined for the Australia CGU, based on the following key assumptions:

- Cash flows were forecast based on the Group’s five-year business plan and risk adjusted to reflect uncertainty created by possible COVID-19 impacts, with the terminal value based on the fifth-year cash flow and a long-term growth rate of 2.5%, which is consistent with the long-term inflation and growth targets for Australia of between 2% and 3%.
- Forecast sales volumes are based on past performance and management’s expectations of market development.
- Forecast foreign currency rates are set based on a range of external market commentator forecasts.
- Sales prices are based on current industry trends for each sales territory and contracted pricing where applicable.
- Forecast gross margins are based on past performance and management’s expectations for the future.

11 Non-current assets - Property, plant and equipment (continued)

- Other operating costs of the CGU, which do not vary significantly with sales volumes or prices, have been forecast by management based on the current structure of the business, but not reflecting any future restructurings or cost saving measures.

- Poppy straw harvesting yields were considered based on historical yield performance, climate-induced variations such as severe weather events, past plant losses and new growing areas coming into production.

- Annual capital expenditure is based on the historical experience of management. No incremental cost savings are assumed in the value-in-use model as a result of this expenditure.

- An after-tax discount rate of 8.5% and 8.6% for the Australian and Norway CGU's respectively was applied in determining the recoverable amount of the CGU's based on an industry average weighted-average cost of capital and applying a premium to the industry average due to the Group's size and stage of lifecycle.

Significant assumptions used in the impairment testing referred to above are inherently subjective, and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Accordingly, it should be noted that the risks and uncertainties associated with the possible impacts of the COVID-19 pandemic and the economic environment could cause the actual results to differ from management’s projections used in the assessment, which could lead to significant changes in the recoverable amount of the Australia CGU.

The carrying amount of the Australian CGU was determined to be higher than its recoverable amount and an impairment loss of $13,955,503 at 31 December 2020 was recognised. The impairment loss was fully allocated to goodwill and is included in the impairment of goodwill expense in the consolidated statement of profit or loss and other comprehensive income.

12 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Right-of-use assets		
Buildings	**750,407**	-
	750,407	-
Lease liabilities		
Current	**39,404**	-
Non-current	**493,937**	-
	533,341	-
Provisions		
Non-current	**227,014**	-
	227,014	-

Additions to the right-of-use assets during the 2020 financial year were $756,713.

The Group has included the extension option in its property leases on the basis it is reasonably certain to exercise the extension options of five years each.

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Depreciation charge of right-of-use assets		
Buildings	**6,306**	-
	6,306	-
Interest expense (included in finance cost)	**3,642**	-

The total cash outflow for leases in 2020 was $nil.

13 Non-current assets - Intangible assets

Consolidated entity	Goodwill $	Patents, trademarks and other rights $	Capitalised development costs $	Total $
At 1 January 2019				
Cost	13,955,503	128,571	764,296	14,848,370
Accumulated amortisation and impairment	-	(32,143)	-	(32,143)
Net book amount	13,955,503	96,428	764,296	14,816,227
Year ended 31 December 2019				
Opening net book amount	13,955,503	96,428	764,296	14,816,227
Exchange differences	-	(917)	-	(917)
Additions	-	2,160,520	35,185	2,195,705
Amortisation charge	-	(43,407)	-	(43,407)
Closing net book amount	13,955,503	2,212,624	799,481	16,967,608
At 31 December 2019				
Cost	13,955,503	2,287,492	799,481	17,042,476
Accumulated amortisation and impairment	-	(74,868)	-	(74,868)
Net book amount	13,955,503	2,212,624	799,481	16,967,608

Consolidated entity				
Year ended 31 December 2020				
Opening net book amount	13,955,503	2,212,624	799,481	16,967,608
Exchange differences	-	(4,073)	-	(4,073)
Additions	-	13,102	1,422,853	1,435,955
Transfers between asset classes	-	799,481	(799,481)	-
Amortisation charge	-	(133,011)	-	(133,011)
Impairment charge	(13,955,503)	-	-	(13,955,503)
Closing net book amount	-	2,888,123	1,422,853	4,310,976
At 31 December 2020				
Cost	13,955,503	3,091,664	1,422,853	18,470,020
Accumulated amortisation and impairment	(13,955,503)	(203,541)	-	(14,159,044)
Net book amount	-	2,888,123	1,422,853	4,310,976

Impairment testing

The Group reviewed the carrying value of development costs at 31 December 2020 and determined that no additional impairments were required in respect of these assets.

The goodwill, intangible assets, development costs were tested as part of the CGU testing performed.

Refer to note 11 for further details of the Group's impairment testing for the year ended 31 December 2020.

14 Current liabilities - Trade and other payables

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Trade payables	**7,373,171**	7,039,444
GST and VAT	**403,981**	976,780
Other payables	**1,436,365**	890,896
	9,213,517	8,907,120

15 Current liabilities - Borrowings

This note provides information about the Group's current interest-bearing loans and borrowings, which are measured at amortised cost.

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Shareholder loan facility	**4,400,000**	-
Other loans	**602,840**	467,424
Total current borrowings	**5,002,840**	467,424

Refer to note 18 for movements during the year, and the contractual terms of the Group's current borrowings.

Refer to note 18 for reconciliation of movements of liabilities to cash flows arising from financing activities.

16 Current liabilities - Provisions

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Employee benefits - annual leave	**1,793,791**	1,847,235

17 Non-current liabilities - Trade and other payables

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Trade payables	**1,063,352**	1,563,462

18 Non-current liabilities - Borrowings

This note provides information about the Group's non-current interest-bearing loans and borrowings, which are measured at amortised cost.

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Shareholder loan facility	**13,000,000**	5,000,000
Total non-current borrowings	**13,000,000**	5,000,000

Washington H. Soul Pattinson and Company Limited, a substantial shareholder has provided the Group with a standby debt facility with a limit of up to $20,000,000 (2019: $16,000,000) to meet the Group's short term working capital needs. At 31 December 2020 the Group had drawn down $17,400,000 of the facility (2019: $5,000,000). The maturity date of this facility is 28 February 2022 with the limit reducing to $13,000,000 on 30 April 2021. This facility is secured by a General Security Deed in favour of Washington H. Soul Pattinson and Company Limited over all present and after-acquired assets of the Group, and mortgage over the Group's Melbourne based property where its Australian manufacturing operations are located.

(a) Movements during the year

	Currency	Nominal interest rate	Year of maturity	Movement	Carrying amount ($)
At 1 January 2020					**5,467,424**
(Repayments)/drawings					
Shareholder loan facility - Tranche A	AUD	8.25%	2022	8,000,000	13,000,000
Shareholder loan facility - Tranche B	AUD	13.00%	2021	4,400,000	4,400,000
Insurance premium funding	AUD	5.31%	2021	228,905	228,905
Insurance premium funding	AUD	3.44%	2021	77,804	77,804
Insurance premium funding	AUD	2.82%	2021	296,604	296,604
Insurance premium funding	AUD	5.57%	2020	(183,798)	-
Insurance premium funding	AUD	3.75%	2020	(271,458)	-
Other	AUD	-	2020	(12,641)	(473)
Carrying amount at 31 December 2020				12,535,416	**18,002,840**

(b) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2020 Carrying amount ($)	31 December 2019 Carrying amount ($)
Shareholder loan facility - Tranche A	AUD	8.25%	2022	13,000,000	5,000,000
Shareholder loan facility - Tranche B	AUD	13.00%	2021	4,400,000	
Insurance premium funding	AUD	5.31%	2021	228,905	-
Insurance premium funding	AUD	3.44%	2021	77,804	-
Insurance premium funding	AUD	2.82%	2021	296,604	
Insurance premium funding	AUD	5.57%	2020	-	183,798
Insurance premium funding	AUD	3.75%	2020	-	271,458
Other	AUD	-	2020	(473)	12,168
Total interest bearing liabilities				**18,002,840**	**5,467,424**

18 Non-current liabilities - Borrowings (continued)

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities	Equity	
	Loans $	**Share capital $**	**Total $**
Balance 1 January 2020	**5,467,424**	**210,997,191**	**216,464,615**
Changes from financing cash flows			
Proceeds from issue of share capital	**-**	**(3,104)**	**(3,104)**
Proceeds from loans and borrowings	**16,991,982**	**-**	**16,991,982**
Repayment of borrowings	**(4,456,566)**	**-**	**(4,456,566)**
Total changes from financing cash flows	**12,535,416**	**(3,104)**	**12,532,312**
Balance at 31 December 2020	**18,002,840**	**210,994,087**	**228,996,927**
Liability - related			
Interest expense	**1,271,127**	**-**	**1,271,127**
Interest paid	**(1,271,127)**	**-**	**(1,271,127)**
Total liability-related other changes	**-**	**-**	**-**
Consolidated entity	**$**	**$**	**$**
Balance 1 January 2019	**22,869,034**	**181,482,260**	**204,351,294**
Changes from financing cash flows			
Proceeds from issue of share capital	**-**	**29,514,931**	**29,514,931**
Proceeds from loans and borrowings	**9,147,040**	**-**	**9,147,040**
Repayment of borrowings	**(26,548,650)**	**-**	**(26,548,650)**
Total changes from financing cash flows	**(17,401,610)**	**29,514,931**	**12,113,321**
Balance at 31 December 2019	**5,467,424**	**210,997,191**	**216,464,615**
Liability - related			
Interest expense	**(2,801,015)**	**-**	**(2,801,015)**
Interest paid	**2,801,015**	**-**	**2,801,015**
Total liability-related other changes	**-**	**-**	**-**

19 Non-current liabilities - Provisions

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Employee benefits - long service leave	**462,141**	378,044
Other provisions - lease make good	**227,014**	-
	689,155	378,044

20 Contributed equity

(a) Share capital

	31 December 2020 Shares	31 December 2019 Shares	**31 December 2020 $**	31 December 2019 $
Ordinary shares				
Fully paid	**125,947,977**	125,947,977	**210,994,087**	210,997,191

(b) Movements in ordinary shares:

Details	**Number of shares**	**Total $**
Opening balance 1 January 2019	81,085,594	181,482,260
Shares issued for cash	44,258,402	30,980,882
Shares issued for secured directors loan	603,981	422,787
Less: Transaction costs arising on share issues	-	(1,888,738)
Balance 31 December 2019	125,947,977	210,997,191
Opening balance 1 January 2020	125,947,977	210,997,191
Less: Transaction costs arising on share issues	-	(3,104)
Balance 31 December 2020	125,947,977	210,994,087

(c) Ordinary shares

The Company does not have authorised capital or par values in respect of its issued shares. All issued shares are fully paid. All shares rank equally.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in equal proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. In respect of the Company's shares that are held by the Company, all rights are suspended until those shares are reissued.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

21 Reserves

Foreign currency translation reserve

Exchange differences relating to translation from functional currencies of the Group’s foreign controlled entities into Australian Dollars are brought to account by entries made directly to the foreign currency translation reserve.

Other reserves

Other reserves comprise a share-based payment reserve.

22 Cash flow information

Reconciliation of (loss) after income tax to net cash (outflow) from operating activities

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
(Loss) for the year	**(34,756,056)**	(7,639,443)
Adjustment for		
Depreciation expense	**2,527,254**	2,470,479
Impairment of goodwill	**13,955,503**	-
Amortisation expense	**133,011**	43,407
Net (gain) on sale of non-current assets	**(1,631,741)**	(14,400)
Litigation settlement expense	**-**	1,161,365
Unwind of discount on trade payable	**120,817**	-
Partnership distribution	**(793)**	277
Income tax benefit	**-**	(138,193)
Interest income	**(27,055)**	(23,028)
Interest expense	**1,938,641**	3,112,106
Equity-settled share-based payment transactions	**176,959**	343,633
Change in operating assets and liabilities:		
Decrease/(increase) in trade, other receivables and contract assets	**10,407,703**	(2,025,329)
(Increase) in inventories	**(4,746,055)**	(3,411,722)
(Increase)/decrease in prepayments	**(102,822)**	1,241,615
(Decrease) in trade and other payables	**(893,237)**	(1,701,685)
Increase in employee benefits provisions	**30,653**	200,728
Interest received	**27,055**	23,028
Interest paid	**(1,938,641)**	(3,112,106)
Net cash (outflow) from operating activities	**(14,778,804)**	(9,469,268)

23 Events occurring after the reporting period

No matters or circumstances have occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

24 Earnings per share

(a) Reconciliation of earnings used in calculating earnings per share

	Consolidated entity	
	31 December 2020 $	31 December 2019 $
Net loss used in calculating basic earnings per share:	**34,756,056**	7,639,443
Net loss used in calculating diluted earnings per share:	**34,756,056**	7,639,443

(b) Weighted average number of shares used as the denominator

	Consolidated entity	
	2020 Number	2019 Number
Adjustments for calculation of diluted earnings per share:		
Weighted average number of ordinary shares used in calculating basic earnings per share	**125,947,977**	88,214,983
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**125,947,977**	88,214,983

(c) Information concerning the classification of securities

Fully paid ordinary shares carry the right to participate in dividends and the proceeds on winding up of the Company in equal proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Fully paid ordinary shares are included as ordinary shares in the determination of basic earnings per share.

No other securities are currently on issue.