



TPI ANNUAL GENERAL MEETING – 31 MAY 2016 – CHAIRMAN’S ADDRESS

As I indicated at last year’s Annual General Meeting, 2015 was a watershed year for TPI. Much of what was done in 2015 and early 2016 has laid the foundation for future years. I understand that some shareholders would have liked to see things happen more quickly, however a number of delays to the process were out of our control, in particular, the granting of the final government license to operate the Victorian manufacturing facility cost the company 4 months at the end of 2015, however we cannot lose sight of what was achieved during the year:

- the relocation of the manufacturing plant from Tasmania to Victoria and the subsequent relicensing of the facility. The plant was commissioned in October with two commercial batches produced and sold in December. Significant efficiency gains have been achieved resulting in lower labour and raw material costs than originally forecast.
- despite exceptionally dry conditions and lack of water we confirmed the viability of Victorian growing with a number of exceptional results, especially in the Ballarat and Warrnambool areas. The push to grow poppies in Victoria has been vindicated given the severity of the drought for the 2015/16 season in Tasmania which led to a significant reduction in hectares planted in 2015. Jarrod will provide a more detailed update on agriculture in his presentation.
- TPI was effective in having legislation passed in November for growing poppies in South Australia. This should result in selected areas being sown in 2017 adding to Victoria Tasmania and the NT. In addition, we are waiting on final approval to import raw material from Europe to supplement local growing. It is also likely that NSW will legislate in favour of poppy growing giving opportunities to grow in a different region and hence continuing to mitigate against agricultural risk.
- one of the downsides of rebuilding a plant is that once completed existing and new customers need to audit the facility to ensure compliance with their internal controls. All of our customer audits since completion of commissioning have been 100% successful. In line with continuing tightening of pharmaceutical regulations globally, a further complication arose in April of this year when the European Directorate for the Quality of Medicine (EDQM) determined that as a raw material supplier of Morphine for the manufacture of Codeine Phosphate API, our new facility had to comply with the Code of Good Manufacturing Practice (GMP) ICH Q7. Fortunately, our Standard Operating Procedures were sufficiently advanced which enabled TPI to comply within a relatively short timeframe. Pleasingly we will re-commence supply to customers in June (2016).
- the relocation of the plant and the rebuilding of the base for future growth has come at a cost. The Company reported a loss of \$25.9 million for 2015 which included \$11.4 million of non-recurring costs. During the ten month period to October 2015 there was no poppy processing to narcotic raw material resulting in limited sales during the financial year. As indicated the Company remains confident that it can report a positive EBITDA from its NRM activities in 2016 subject to stable market conditions, foreign exchange and poppy seed pricing.
- Capital management is a focus for directors. As shareholders are aware in January of this year the Company extended its finance facility with its major shareholder, Washington H



Soul Pattinson Co. Ltd. This facility expires in March 2017 so we will be planning to refinance all or part of this facility by the end of 2016.

Finally, I would like to thank Jarrod, the management and the employees of TPI for the efforts over the past year in successfully relocating and commissioning the factory.

I will now hand over to Jarrod Ritchie for a more in depth review of the industry and the operational performance of the Company.

Thank you.