



PALLA PHARMA

ASX ANNOUNCEMENT

Tuesday 19 May 2020

Annual General Meeting Update

Palla Pharma Limited (ASX:PAL) (the “**Company**”) refers to the Notice of Meeting (“**Notice**”) previously made available to shareholders on 20 April 2020 advising that the Annual General Meeting (“**Meeting**”) would be held by conference call.

In order to provide shareholders with the opportunity to fully participate in the Meeting, the Company announces that it has arranged for a phone keypad voting facility for shareholders wishing to vote in real time. All resolutions to be considered at the Meeting will be decided by poll based on proxy votes received prior to the commencement of the Meeting and votes cast via the phone keypad voting facility during the Meeting.

Whilst live voting will now be available, shareholders are still strongly recommended to submit their votes by proxy to ensure that their votes are counted. Instructions on how to submit votes by proxy are contained within the “Casting vote by proxy” section on page 6 of the Notice.

Conference call details

Shareholders can join the meeting by following the instructions set out below:

Option 1 – Pre-register for conference call

1. To pre-register for this conference call and avoid a queue when calling, please use the following link below:
<https://s1.c-conf.com/diamondpass/10005675-invite.html>
2. You will be given a dial in number, passcode and unique access pin number to enter when you call which will bypass the operator and give you immediate access to the Meeting.

Option 2 – Dial in on the day of the Meeting

If you are unable to pre-register, then at the time of the Meeting you can call one of the numbers below and provide the conference ID 10005675 to an operator:

1. Attendee Dial-in (Australia Toll Free): **1800 558 698**
2. Alternate Australia Toll Free: **1800 809 971**

An accompanying presentation will be made available via the ASX announcement platform and the Company’s website (www.pallapharma.com) prior to the call.

Shareholder voting

Shareholders are encouraged to cast their vote by proxy prior to the Meeting in accordance with the instructions set out on page 6 of the Notice. Shareholders will also have an opportunity to cast their votes during the AGM conference call by pressing a relevant button on their telephone keypads when prompted by the call operator as follows:

- “star” key 3 (* 3) – to vote “For” a resolution
- “star” key 4 (* 4) – to vote “Against” a resolution
- “star” key 5 (* 5) – to “Abstain” from a resolution

Palla Pharma Limited

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PALLA PHARMA

If you would like to cast your vote during the AGM conference call, please provide your valid HIN or SRN number and post code when registering online or with an operator.

Shareholder questions

Shareholders will also be given a reasonable opportunity to ask questions related to the business of the meeting, the Company's operations or of the auditor at the end of the meeting. If you would like to ask a question, please provide your HIN or SRN number and post code. Alternatively, you can register as a visitor, however you will not be permitted to ask questions.

In accordance with paragraph 5(3)(b) of the *Corporations (Coronavirus Economic Response) Determination (No. 1) 2020*, a revised Notice of Meeting containing the updated information provided above is attached.

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

For more information please contact:

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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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PALLA PHARMA

PALLA PHARMA LIMITED
ACN 107 872 453

NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM

Date of Meeting

Thursday 28 May 2020

Time of Meeting

2.00 pm (Melbourne Time)

**Meeting will be held via conference
call**

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of the Shareholders of Palla Pharma Limited (the “**Company**”) will be held on Thursday 28 May 2020 commencing at 2.00 pm (Melbourne time) (the “**Meeting**”). Given the restrictions imposed by the Australian and Victorian Governments to deal with COVID-19, it will not be possible to attend the meeting in person. Accordingly, the meeting will be held by conference call.

Shareholders will be able to participate in the meeting by listening, asking questions, and voting on resolutions. **Shareholders are strongly encouraged to cast their vote by proxy prior to the Meeting in accordance with the instructions set out on page 6 of this Notice to ensure their votes are counted. All resolutions to be considered at the Meeting will be decided by a poll based on proxy votes received prior to the commencement of the Meeting and votes cast via a telephone keypad voting facility during the Meeting.**

The Company is pleased to provide Shareholders with the opportunity to participate in the Meeting via conference call. Further information on how to participate and vote during the Meeting via the conference call facility is set out on page 5 of this Notice.

The Explanatory Memorandum that accompanies this Notice provides additional information on the matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form are part of this Notice.

Should circumstances further change between the date of this Notice of Meeting and the proposed time of the Meeting, the Directors will further update Shareholders with the proposed next steps.

AGENDA

ORDINARY BUSINESS:

Financial Statements and Reports

To receive and consider the Financial Report of the year ended 31 December 2019 together with the Directors’ Report and Auditor’s Report as set out in the Annual Report.

Resolution 1 - Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report as contained in the Directors’ Report for the year ended 31 December 2019 be adopted.”

Voting exclusion

*To the extent required by section 250R of the Corporations Act, a vote must not be cast (in any capacity) on Resolution 1 by or on behalf of a Shareholder of the Company’s or the Group’s key management personnel, details of whose remuneration are included in the Remuneration Report, or a closely related party of such a Shareholder. However, a person (the “**Voter**”) may cast a vote as a proxy where the vote is not cast on behalf of such a Shareholder or a closely related party of*

such a Shareholder and the Voter is either:

- (a) *appointed as a proxy by writing that specifies how the proxy is to vote on Resolution 1; or*
- (b) *the Chair and the appointment of the Chair as proxy does not specify how the proxy is to vote on Resolution 1 and expressly authorises the Chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a shareholder of the key management personnel.*

Resolution 2 - Re-election of Todd Barlow as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, Todd Barlow, who retires in accordance with clause 23.10(b) of the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”

Resolution 3 – Approval of Share Appreciation Rights Plan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.2 , exception 13 and for all other purposes, the Palla Pharma Share Appreciation Rights Plan (**SARP**), and future issues to Eligible Individuals under the Palla Pharma SARP from the date of this Meeting for the next three years, as described in the Explanatory Statement, be approved.”*

Voting exclusion

The Company will disregard any votes cast on this Resolution 3 by any person who is eligible to participate in the SARP. However, the Company will not disregard a vote if:

- (a) *it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form;*
- (b) *it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides; or*
- (c) *a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - (i) *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate or a person excluded from voting on Resolution 3; and*
 - (ii) *the holder votes on Resolution 3 in accordance with directions given by the beneficiary to the holder to vote in that way.*

Resolution 4 – Ratify the prior issue of Shares

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue by the Company of 12,000,000 Shares to certain institutional, professional and/or sophisticated investors on 25 October 2019 under the Placement at the issue price of \$0.70 per Share, as announced on 17 October 2019, and otherwise on the terms outlined in the Explanatory Statement which accompanies and forms part of the Notice.”

Voting exclusion

The Company will disregard any votes cast in favour of Resolution 4 by any person who participated in the issue of the Shares under the Placement and any of their associates. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form;*
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides; or*
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate or a person excluded from voting on Resolution 4; and*
 - (ii) the holder votes on Resolution 4 in accordance with directions given by the beneficiary to the holder to vote in that way.*

OTHER BUSINESS

To consider any other business which may properly be brought before the Meeting in accordance with the Constitution and the Corporations Act.

BY ORDER OF THE BOARD

Jaime Pinto
Company Secretary
19 May 2020

Conference call details

In light of the current social distancing restrictions relating to COVID-19, the Company has decided to hold the Meeting via a conference call. Shareholders can join the meeting by following the instructions set out below:

Option 1 – Pre-register for conference call

1. To pre-register for this conference call and avoid a queue when calling, please use the following link below:
<https://s1.c-conf.com/diamondpass/10005675-invite.html>
2. You will be given a dial in number, passcode and unique access pin number to enter when you call which will bypass the operator and give you immediate access to the Meeting.

Option 2 – Dial in on the day of the Meeting

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1. Attendee Dial-in (Australia Toll Free): **1800 558 698**
2. Alternate Australia Toll Free: **1800 809 971**

An accompanying presentation will be made available via the ASX announcement platform and the Company's website (www.pallapharma.com) prior to the call.

Shareholders will also be given a reasonable opportunity to ask questions related to the business of the meeting, the Company's operations or of the auditor at the end of the meeting. If you would like to ask a question, please provide your valid HIN or SRN number when registering. Alternatively, you can register as a visitor, however you will not be permitted to ask questions.

All resolutions to be considered at the Meeting will be decided by poll based on proxy votes received prior to the commencement of the Meeting and votes cast via the telephone keypad voting facility during the Meeting. Shareholders are encouraged to cast their vote by proxy prior to the Meeting in accordance with the instructions set out on page 6 of this Notice to ensure that their votes are counted.

Defined Terms

Capitalised terms used in this Notice will, unless the context requires otherwise, have the meaning given to them in the Glossary in the Explanatory Memorandum attached to this Notice.

Materials accompanying this Notice

The following materials accompany this Notice:

1. the Financial Report, Directors' Report and Auditor's Report, including the Remuneration Report, if you have elected to receive a printed copy and have not withdrawn that election;

2. the Explanatory Memorandum setting out details relevant to the business set out in this Notice; and
3. a Proxy Form.

Voting and required majority - Corporations Act

1. In accordance with section 249HA of the Corporations Act, for Resolutions 1 to 4 (inclusive) to be effective, not less than 28 days written notice specifying the intention to propose the Resolutions has been given.
2. For Resolutions 1 to 4 to be effective, each resolution must be passed by more than 50% of all the votes cast by Shareholders entitled to vote on the Resolutions (whether in person or by proxy, attorney or representative).

All resolutions will be determined by a poll based on proxy votes received prior to the commencement of the Meeting and votes cast via the telephone keypad voting facility during the Meeting. On a poll, every Shareholder has one vote for each Ordinary Share held.

Entire Notice

The details of the Resolutions contained in the Explanatory Memorandum accompanying this Notice should be read together with, and form part of, this Notice.

Entitlement to vote

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the Meeting all Shares will be taken to be held by the persons who held them as registered Shareholders at 7.00 pm (AEDT) on 26 May 2020. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Voting

Shareholders are encouraged to cast their vote by proxy prior to the Meeting in accordance with the instructions set out on page 6 of the Notice of Meeting. Shareholders will also have an opportunity to cast their votes during the AGM conference call by pressing a relevant button on their telephone keypads when prompted by the call operator as follows:

1. "star" key 3 (* 3) - to vote "**For**" a resolution;
2. "star" key 4 (* 4) - to vote "**Against**" a resolution; and
3. "star" key 5 (* 5) - to "**Abstain**" from a resolution.

If you would like to cast your vote during the AGM conference call, please provide your valid HIN or SRN number and post code when registering online or with an operator.

Casting a vote by proxy

If you wish to cast a vote by proxy prior to the Meeting, you must complete the Proxy Form by providing voting directions for each resolution by marking "For", "Against" or "Abstain". Votes will

only be valid for resolutions marked. Unless you have appointed the Chair as your proxy, no vote will be counted for resolutions left blank. If you appoint the Chair of the meeting as your proxy and do not provide voting directions for each resolution, the Chair intends to vote for all the resolutions.

Proxies and Representatives

1. All Shareholders who are entitled to attend at the Meeting may appoint a proxy for that purpose.
2. A proxy need not be a Shareholder of the Company.
3. Each Shareholder who is entitled to cast two or more votes at the Meeting, may appoint up to two proxies and may specify the proportion or number of votes that each proxy is entitled to exercise. If a Shareholder does not specify the proportion or number of that Shareholder's votes each proxy may exercise, each proxy will be entitled to exercise half of the votes. An additional Proxy Form will be supplied by the Company on request.
4. If a proxy is given by a body corporate, a Proxy Form must be executed in writing under the common seal of the corporation or otherwise in accordance with section 127 of the Corporations Act or signed by an attorney.
5. If a proxy is given by a natural person, a Proxy Form must be executed under the hand of that person or that person's attorney.
6. To be effective, the Proxy Form and the power of attorney or other authority (if any) under which it is signed or a certified copy, must be received by the Company at least 48 hours before the time for holding the Meeting or any adjourned Meeting.
7. Any Proxy Form received after this deadline will be treated as invalid.
8. If a Shareholder appoints the Chair as the Shareholder's proxy and does not specify how the Chair is to vote, the Chair will vote, as proxy for that Shareholder, in favour of or against each resolution as set out in the Explanatory Memorandum.
9. A Shareholder that is a body corporate may appoint an individual as its representative to exercise all or any of the powers the body corporate may exercise at the Meeting. The appointment may be a standing one.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to provide Shareholders with information to assist their assessment of the merits of the Resolutions contained in the accompanying Notice to be held via conference call on Thursday 8 May 2020 commencing at 2.00 pm (**Melbourne time**).

Shareholders should read this statement and the Notice in full before deciding how to vote on the Resolutions set out in the Notice. **All resolutions to be considered at the Meeting will be decided by poll based on proxy votes received prior to the commencement of the Meeting and votes cast via the telephone keypad voting facility during the Meeting. Shareholders are encouraged to cast their vote by proxy prior to the Meeting in accordance with the instructions set out on page 6 of this Notice to ensure that their votes are counted.**

Capitalised terms used in this memorandum and the Notice are defined in Section 6.

1 Receipt and consideration of Financial Statements and Reports

The Corporations Act requires that the Financial Report and the reports of the Directors and Auditor be laid before the Meeting. There is no requirement for shareholders to vote on these reports. Shareholders will be given a reasonable opportunity to raise questions and make comments on these reports and on the management of the Company at the Meeting.

Representatives of the Company's Auditor will be present for discussion purposes on matters of relevance to the audit.

2 Resolution 1 - Adoption of Remuneration Report (Non-binding Resolution)

The Remuneration Report includes information on:

- (a) the remuneration policy adopted by the Board;
- (b) the relationship between that policy and the Company's performance;
- (c) the principles used to determine the nature and amount of remuneration;
- (d) the remuneration details of each Director and key management personnel; and
- (e) the performance conditions that must be met prior to an executive deriving any value from the "at risk" components of their remuneration.

The Remuneration Report is included in the Company's Annual Report, which is available on the Investor section of the Company's website at www.pallapharma.com. For those Shareholders who have elected to receive a printed copy of the Annual Report, a copy of the Annual Report accompanies this Notice.

At the Meeting, the Chair will give Shareholders a reasonable opportunity to ask questions about or comment on the Remuneration Report.

The vote on this resolution is advisory only and will not bind the Directors or the Company. The vote will, however, be taken into consideration in determining future remuneration policy for Directors and executives.

The Board recommends that Shareholders vote in favour of Resolution 1. The Board encourages Shareholders to apply the same level of diligence to voting on this Resolution as for the binding Resolutions. The Chair of the Meeting intends to vote all available proxies in favour of Resolution 1.

3 Resolution 2 – Re-election of Mr Todd Barlow as a Director

Background

Clause 23.10(a) of the Company's Constitution provides that an election of Directors, other than the Managing Director, must be held each year. Clause 23.10(b) provides that no Director, other than the Managing Director, may hold office for a period in excess of three years, or beyond the third annual general meeting following the Director's election, whichever is the longer, without submitting himself or herself for re-election.

In accordance with Clause 23.10(b) of the Company's Constitution, Todd Barlow will retire at this Meeting, is eligible for re-election and has submitted himself for re-election at this Meeting.

A summary of Mr Barlow's experience, qualifications and background is provided on page 8 of the Company's 2019 Annual Report, a copy of which is available on the ASX website www.asx.com.au or on the Company's website www.pallapharma.com.

The Board (in the absence of Mr Barlow) recommends that shareholders vote in favour of this resolution. The Chair of the Meeting intends to vote all available proxies in favour of Resolution 2.

4 Resolution 3 - Approval of Share Appreciation Rights Plan

Background

On 29 May 2017, Shareholders approved the adoption of a Share Appreciation Rights Plan (**SARP**) for the purposes of Exception 13(b) of Listing Rule 7.2 to Listing Rule 7.1.

The objectives of the SARP are to:

- (a) provide an incentive and to reward, retain and motivate employees;
- (b) recognise the abilities, efforts and contributions of employees to the performance and success of the Company; and
- (c) provide employees with the opportunity to acquire or increase their ownership interest in the Company.

Listing Rule 7.1 prohibits a listed entity from issuing or agreeing to issue in any 12 month period new equity securities, which are equivalent in number to more than 15% of the total number of ordinary securities on issue at the beginning of the 12 month period without the prior approval of members, unless the issue of equity securities is an exception to Listing Rule 7.1. Exception 13(b) of Listing Rule 7.2 allows a listed entity to issue equity securities if the company's members have approved the issue of securities under an employee incentive scheme as an exception to Listing Rules 7.1 within three years prior to the issue of the securities.

The purpose of Resolution 3 is to renew this approval to allow the Company to continue to issue securities under the SARP under exception 13(b) of Listing Rule 7.2. If Resolution 3 is not passed and in the absence of any other approval given under Exception 13(b) of Listing Rule 7.2 in relation to the SARP, the Company will not be able to rely on this exception in relation to issues under the SARP after 29 May 2020.

The following information is provided to Shareholder for the purpose of Exception 13(b) of Listing Rule 7.2:

- (a) Schedule 1 contains a summary of the key terms of the SARP;
- (b) a total of 5,110,430 Share Appreciation Rights have been issued by the Company under the SARP since the date of its last approval on 29 May 2017; and
- (c) a voting exclusion statement for Resolution 3 is included in the Notice of Meeting preceding this Explanatory Statement.

Directors' Recommendation

The Directors (in the absence of Mr Ritchie) recommend that members vote in favour of Resolution 3.

The Chair of the Meeting intends to vote all available proxies in favour of Resolution 3.

5 Resolution 4 - Ratification of placement

Background

The Company is seeking member approval to ratify the issue of 12,000,000 new fully paid ordinary shares (**New PAL Shares**) issued to professional and sophisticated investors under the Placement on 25 October 2019 without shareholder approval as announced on 17 October 2019.

Listing Rule 7.4 provides that a company may ratify a prior issue of shares made under Listing Rule 7.1 by obtaining retrospective shareholder approval for that prior issue, such that those shares shall be treated as having been issued with the approval of members for the purposes of Listing Rule 7.1. Retrospective approval under Listing Rule 7.4 has the effect of reinstating the Company's capacity to issue up to 15% of the ordinary securities on issue in a 12-month period, under Listing Rule 7.1.

The Company is seeking member approval pursuant to Resolution 4 for the ratification of the New PAL Shares which were issued on 25 October 2019 under Listing Rule 7.1, being 12,000,000 fully paid ordinary shares under the Placement. Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to Listing Rule 7.4. For the purposes of Resolution 4, the Company provides the following information:

- (a) the total number of fully paid ordinary shares in the Company that were issued is 12,000,000;
- (b) the New PAL Shares were issued at a price of \$0.70 per share;
- (c) the New PAL Shares allotted and issued rank equally with the existing Shares on issue;
- (d) the New PAL Shares were allotted and issued to new and existing institutional investors selected by the Company and the Joint Lead Managers; and
- (e) the funds raised were used to reduce debt and fund working capital requirements.

A voting exclusion statement for Resolution 4 is included in the Notice of Meeting preceding this Explanatory Statement.

Directors' Recommendation

The Directors (in the absence of Mr Barlow) unanimously recommends that members vote in favour of Resolution 4.

The Chair of the Meeting intends to vote all available proxies in favour of Resolution 4.

6 Glossary

Annual Report means the 2019 Annual Report, a copy of which may be obtained from the Company's website at www.pallapharma.com.

AGM means the Annual General Meeting of the Company to be held via conference call on Thursday 28 May 2020 commencing at 2.00 pm Melbourne Time.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or the market operated by it, as the context requires.

Auditor's Report means the report of the Auditor regarding its audit of the Company, and its controlled entities, which accompanies the Financial Report.

Board means the board of the Directors of the Company from time to time.

Chair means the person who chairs the AGM.

Company or **PAL** means Palla Pharma Limited ACN 107 872 453.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means each of the directors of the Company, as appointed from time to time.

Directors' Report means the report of the Directors, which accompanies the Financial Report.

Explanatory Memorandum means this document.

Financial Report means the consolidated annual financial report of Palla Pharma Limited for the year ended on 31 December 2019 that accompanies the Notice.

Group means the Company and its controlled entities.

Joint Lead Managers means Morgans Corporate Limited and Shaw and Partners Limited.

Listing Rules means the official rules of the ASX.

Managing Director means the Executive Director, Jarrod Ritchie.

Meeting means the general meeting of shareholders to be held in accordance with the Notice.

Notice means the Notice of Meeting accompanying this Explanatory Memorandum.

Placement means the placement undertaken by the Company in October 2019.

Proxy Forms means the proxy form enclosed with this Explanatory Memorandum in relation to the Resolutions.

Remuneration Report means the remuneration report of the Company that forms part of the Directors' Report.

Resolutions means each of the resolutions set out in the Notice.

Securities has the meaning given to that term in Chapter 19 of the Listing Rules.

Share means a fully paid ordinary share in the Company.

Shareholder means a registered holder of a Share.

SCHEDULE 1

SUMMARY OF SHARE APPRECIATION RIGHTS PLAN

What are share appreciation rights?

A share appreciation right (**SAR**) is a right granted to an eligible employee, executive or executive director of Palla Pharma Limited (**Company** or **PAL**) or any other PAL group company (**Eligible Individual**) under the Company's Share Appreciation Rights Plan (**SARP**). An Eligible Individual to whom a SAR is granted becomes a participant in the SARP (**Participant**).

A SAR is an equity security that, subject to satisfaction of a vesting condition, confers on the Participant a right to a reward, and the value of the reward is calculated by reference to the increase (if any) in the market price of the Company's shares over a specified period (**SAR Amount**). The Company provides the reward to the Participant in the form of PAL shares, unless the Board elects to provide part or all of the reward in cash. Even if the vesting condition is satisfied, the SAR only has a value if there is an increase in the value of the Company's shares over the relevant period.

Summary

The Company may grant SARs under the SARP to Eligible Individuals subject to vesting conditions determined by the Board. If the Participant is an employee, executive or executive director of the Company or any other PAL group company on the date specified in the vesting condition, the SAR will vest.

SARs will be deemed to have been exercised once they have vested. On exercise, a Participant is entitled to receive the SAR Amount (if any). The SAR Amount may be settled by the issue of PAL Shares (**SAR Plan Shares**) or by a cash payment at the Board's discretion. The Board's current intention is that exercised SARs will be settled by the issue of SAR Plan Shares.

The number of SAR Plan Shares that the Participant will receive will be calculated as follows (fractions of a share being disregarded):

$$\frac{CP - OP}{CP} \times N$$

Where:

CP	=	the Closing Price of the SAR;
OP	=	the Opening Price of the SAR; and
N	=	the total number of vested and exercised SARs in respect of which SAR Plan Shares are to be issued.

The Opening Price is the 20 trading day volume weighted average price of a Share calculated as at the Grant Date of the SARs to a Participant, or if the shares are not traded on ASX, the market value of a share as determined by the Board.

The Closing Price is the 20 trading day volume weighted average price of a Share calculated as at the Vesting Date of the relevant SAR, or if the shares are not traded on ASX, the market value of a share as determined by the Board.

Grant of SARs

Under the SARP, the Company may, at the discretion of the Board, grant SARs to Eligible Individuals. An Eligible Individual is not required to pay for the grant of the SARs. SARs are not transferable without the consent of the Board.

The Board determines the Market Value of a SAR - the price that determines the number of SARs to be granted to a Participant. The Market Value of a SAR is the value of a SAR determined by a valuation methodology approved by the Board, having regard to the Vesting Conditions, the Opening Price, the prices at which the Company's Shares trade on ASX and the risk and volatility of the ASX market in the Company's Shares.

Under the SARP, the Board determines the number of SARs to be granted to Eligible Individuals. The number will normally be calculated by reference to their total fixed remuneration as follows:

$$\frac{\text{LTI\%} \times \text{TRP}}{\text{MV}}$$

Where:

LTI%	=	the percentage determined by the Board to be appropriate to provide as a long-term incentive to the Eligible Individual
TRP	=	the total fixed remuneration payable to the Eligible Individual in respect of the relevant financial year; and
MV	=	the Market Value of a SAR as determined by the Board.

There is a limit to the number of SARs the Company may issue, being that number of SARs, which when aggregated with other SARs issued in the previous 5 years, would result in the issue of that number of shares as equals 5% of the number of shares on issue at the date of grant of the relevant SARs.

Vesting

A SAR only confers an entitlement to receive the SAR Amount (either in SAR Plan Shares or a cash payment, at the Board's discretion) if it has vested and been exercised. A SAR generally vests only if the Participant is an employee, executive or director of the Company or any other PAL group company on a specified date determined by the Board. In certain circumstances, the Board may determine in its discretion that an unvested SAR may vest earlier, for example if a takeover offer is made for all the shares in the Company or if the Participant ceases to be employed through ill health, death, bona fide retirement or termination by the Company without cause.

Exercise

A SAR will be exercised automatically once it has vested. A Participant's SARs will lapse if the vesting conditions are not satisfied or waived by the Board as at the required date. If a SAR lapses, it is cancelled and no consideration is payable to the Participant.

On exercise of the SAR, the Participant is entitled to receive the SAR Amount, either by the issue of SAR Plan Shares or by cash payment (at the Board's discretion). The Board currently intends that exercised SARs will be settled by the issue of SAR Plan Shares. The number of SAR Plan Shares that the Participant will receive will be calculated as follows (fractions of a share being disregarded):

$$\frac{CP - OP}{CP} \times N$$

Where:

CP	=	the Closing Price of the SAR;
OP	=	the Opening Price of the SAR; and
N	=	the total number of vested and exercised SARs in respect of which SAR Plan Shares are to be issued.

SAR Plan Shares

SAR Plan Shares may not be sold or transferred without the consent of the Board during the Restriction Period, being one year after the date of issue of the SAR Plan Shares. SAR Plan Shares rank equally in all respects with all ordinary shares on issue and will receive dividends which have a record date after the date of issue. A Participant may exercise any voting rights attaching to SAR Plan Shares.

A Participant is not entitled to vote or receive dividends and has no other rights of a shareholder in respect of a SAR. The Participant only obtains those rights once SAR Plan Shares are issued to it.

Change of Control

If a Change of Control occurs (such as a takeover or other merger or reconstruction of the Company), all unvested SARs will vest, whether or not the vesting conditions have been met.

Capital Reconstruction

If the Company reconstructs its capital (such as by way of consolidation or subdivision), the Board may adjust the number of SARs or the Opening Price of a SAR to ensure that the consequences of the reconstruction are fair as between the Participants and the shareholders in the Company.

Amendment

The Board may amend the SARP at any time, but may not materially reduce the Participant's accrued benefits or entitlements without the Participant's consent.



PALLA PHARMA

Palla Pharma Limited

ACN 107 872 453

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Palla Pharma Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 306 089



X99999999999

PROXY FORM

I/We being a member(s) of Palla Pharma Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY



the Chair of the
Meeting (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **2.00pm (Melbourne Time) on Thursday, 28 May 2020 via conference call (the Meeting)** and at any postponement or adjournment of the Meeting.

All resolutions to be considered at the Meeting will be decided by a poll based on proxy votes received prior to the commencement of the Meeting and votes cast via a telephone keypad voting facility during the Meeting. Important for Resolution 1 and Resolution 3: If the Chair of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chair of the Meeting to exercise the proxy in respect of Resolution 1 and Resolution 3, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chair of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

	For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Todd Barlow as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of Share Appreciation Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratify the prior issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

PAL PRX2001C



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chair of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIR OF THE MEETING

Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your vote will not be valid. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be sent to Link Market Services prior to the commencement of the Meeting in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2.00pm (Melbourne Time) on Tuesday, 26 May 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MAIL

Palla Pharma Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)