

Palla Pharma Limited

ACN 107 872 453

Retail Entitlement Offer

2 for 9 non-renounceable pro rata entitlement offer of Palla Pharma Limited (**Palla Pharma**)
ordinary shares at an offer price of \$0.50 per New Share

The Entitlement Offer is fully underwritten

Retail Entitlement Offer closes at 5.00pm (Melbourne time) on Monday, 22 March 2021

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

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

IMPORTANT NOTICES

This Information Booklet is dated Friday, 5 March 2021.

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

The Retail Entitlement Offer is being made pursuant to section 708AA of the Corporations Act (as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84) and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73) which allows entitlement issues to be offered without a prospectus. As a result, this offer is not being made under a prospectus and it is important for Eligible Retail Shareholders to read and understand the information on Palla Pharma Limited ACN 107 872 453 (**Palla Pharma**) and the Retail Entitlement Offer made publicly available, before taking up all or part of their Entitlement. **This information is important and requires your immediate attention.**

You should read this Information Booklet carefully in its entirety before deciding whether to participate in the Retail Entitlement Offer. It is important for you to read and understand the publicly available information on Palla Pharma and the Retail Entitlement Offer prior to deciding whether to accept your Entitlement. By returning an Entitlement and Acceptance Form or otherwise paying for your New Shares through BPAY®¹ or if you are based in New Zealand and unable to pay using BPAY®, by direct transfer in accordance with the instructions given by the Offer Information Line on 1300 554 474 between 8.30am to 5.30pm (Melbourne time) Monday to Friday, you acknowledge that you have read this Information Booklet and you have acted in accordance with and agree to the terms of the Retail Entitlement Offer in this Information Booklet.

Future performance and forward looking statements

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

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

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

Past performance

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

Jurisdictions

This Information Booklet is intended for use only in connection with the Retail Entitlement Offer to Eligible Retail Shareholders with a registered address in Australia or New Zealand. This Information Booklet does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

Not for release or distribution in the United States of America

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

Risks

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

Taxation

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

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

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

Times and dates

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

Currency

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

¹ Registered to BPAY Pty Ltd ABN 69 079 137 518

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LETTER FROM THE CHAIRMAN

Friday, 5 March 2021

Dear Shareholder

On behalf of Palla Pharma Limited (**Palla Pharma**), I am pleased to invite you to participate in a fully underwritten non-renounceable pro rata entitlement offer to raise gross proceeds of approximately \$14 million (**Entitlement Offer**).

On 26 February 2021, Palla Pharma announced its intention to raise approximately \$4 million through a placement to institutional investors (**Institutional Placement**) and approximately \$14 million through the Entitlement Offer. The institutional component of the Entitlement Offer (**Institutional Entitlement Offer**) and the Institutional Placement (together, the **Institutional Offer**) were successfully completed before trading in our shares recommenced on Tuesday, 2 March 2021. Approximately 24.4 million New Shares were subscribed for under the Institutional Offer. The Institutional Offer had a take up rate of approximately 93.9% by Eligible Institutional Shareholders.

The Institutional Offer and the Retail Entitlement Offer will be collectively referred to as the **Capital Raising**.

The Capital Raising will be conducted at an offer price of \$0.50 per Share which represents a 27% discount to Palla Pharma's last closing price and 22.3%² discount to the Theoretical Ex-Rights Price (**TERP**³).

Attached to this letter is the Information Booklet which relates to the retail component of the Entitlement Offer (**Retail Entitlement Offer**).

The proceeds of the Capital Raising will be used to:

- reduce PAL's existing debt;
- improve the PAL's working capital position to allow it to take advantage of high margin growth opportunities in UK and Europe arising from the PAL's purchase of Marketing Authorisations; and
- cover the costs of conducting the Capital Raising.

The Capital Raising is lead managed and fully underwritten by Morgans Corporate Limited ABN 32 010 539 607 (**Underwriter**) (see Section 5.16 for further details).

Retail Entitlement Offer

Under the Retail Entitlement Offer, Eligible Retail Shareholders have the opportunity to invest at the same price as the institutional investors who participated in the Institutional Offer. The number of New Shares for which you are entitled to subscribe under the Retail Entitlement Offer (**Entitlement**) is set out in your personalised Entitlement and Acceptance Form and can be accessed and downloaded at the Capital Raising website: <https://events.miracle.com/PAL-offer>.

The Offer Price of \$0.50 per New Share represents:

- a 22.3% discount to Theoretical Ex-Rights Price of \$0.644; and

² At Friday 26 February 2021, PAL's last closing price was A\$0.685 per share and the TERP is A\$0.644 per share.

³ TERP is a theoretical calculation only and the actual price at which PAL shares trade immediately following the ex-date for the Entitlement Offer may be different from TERP. TERP has been calculated as: (existing market capitalisation of PAL plus additional equity raised) / total shares on issue following the Equity Raising.

- a 27% discount to the closing price of Palla Pharma's Shares of \$0.685 per share on Friday, 26 February 2021.

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

The Entitlement Offer is non-renounceable, and rights are not transferrable and will not be traded on the ASX or other exchange. I encourage you to consider this offer carefully.

Information Booklet

This Information Booklet contains important information, including:

- ASX announcements relating to the Capital Raising, including the Investor Presentation, which provides information on Palla Pharma, the Entitlement Offer and key risks for you to consider;
- instructions on how to apply, detailing how to participate in the Retail Entitlement Offer if you choose to do so, and a timetable of key dates; and
- instructions on how to take up all or part of your Entitlement via BPAY® or by cheque.

For shareholders with a registered address in New Zealand, please contact the Offer Information Line 1300 554 474 between 8.30am to 5.30pm (Melbourne time) Monday to Friday to arrange for payment.

Your personalised Entitlement and Acceptance Form, which details your Entitlement and instructions on how to take up your Entitlement can be accessed and downloaded via the Capital Raising website <https://events.miraqle.com/PAL-offer>.

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

- pay your Application Money via BPAY®; or
- complete and return your personalised Entitlement and Acceptance Form, together with a cheque for your Application Money, by following the instructions set out in your personalised Entitlement and Acceptance Form,

before 5.00pm (Melbourne time) on Monday, 22 March 2021.

Instructions on how to apply are set out in this Information Booklet and your Entitlement and Acceptance Form. For further information regarding the Retail Entitlement Offer, call the Investor Information Line on 1300 554 474 between 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Retail Entitlement Offer Period.

The Retail Entitlement Offer closes at 5.00pm (Melbourne time) on Monday, 22 March 2021

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

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

I intend to take up my full entitlement, as does my fellow director, Stuart Black.

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

Yours faithfully,

Simon Moore
Chairman
Palla Pharma Limited

SUMMARY OF ENTITLEMENT OFFER

Institutional Placement

Offer Price	\$0.50 per New Share
Size (approx.)	8 million New Shares
Gross Proceeds	\$4 million

Institutional Entitlement Offer

Entitlement Ratio	2 for every 9 existing Palla Pharma ordinary shares
Offer Price	\$0.50 per New Share
Size (approx.)	16.4 million New Shares
Gross Proceeds	\$8.2 million

Retail Entitlement Offer

Entitlement Ratio	2 for every 9 existing Palla Pharma ordinary shares
Offer Price	\$0.50 per New Share
Size (approx.)	11.6 million New Shares
Gross Proceeds	\$5.8 million

Total Gross Proceeds of Capital Raising	\$18 million (approx.)
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KEY DATES FOR RETAIL ENTITLEMENT OFFER

Event	Date
Company announces Capital Raising	Friday, 26 February 2021
Institutional Offer opens	Friday, 26 February 2021
Results of Institutional Offer	Tuesday, 2 March 2021
Record Date for the Entitlement Offer	Tuesday, 2 March 2021
Despatch of Information Booklet and Entitlement and Acceptance Form to Eligible Retail Shareholders	Friday, 5 March 2021
Retail Entitlement Offer opens	Friday, 5 March 2021
Allotment and trading of Institutional Entitlement Offer and Placement Shares	Monday, 8 March 2021
Retail Entitlement Offer closes	Monday, 22 March 2021
Announcement of Results of Retail Entitlement Offer	Thursday, 25 March 2021
Allotment of New Shares under the Retail Entitlement Offer	Monday, 29 March 2021
Normal trading of New Shares issued under the Retail Entitlement Offer expected to commence on ASX	Tuesday, 30 March 2021
Despatch of holding statements	Wednesday, 31 March 2021

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

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

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

Enquiries

For further information regarding the Retail Entitlement Offer, please call the Investor Information Line on 1300 554 474 between 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Retail Entitlement Offer Period. If you have any questions, please consult your stockbroker, accountant or other independent professional adviser.

1 Summary of options available to you

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

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

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

Options available to you	Key considerations
1. Take up all of your Entitlement	<p>You may elect to purchase New Shares at the Offer Price (see Section 2 “How to Apply” for instructions on how to take up your Entitlement).</p> <ul style="list-style-type: none">• The New Shares will rank equally in all respects with existing Shares (including rights to dividends and distributions).• The Retail Entitlement Offer closes at 5.00pm (Melbourne time) on Monday, 22 March 2021.• If you take up all of your Entitlement, you may also apply for additional New Shares under the Top Up Facility. There is no guarantee that you will be allocated any additional New Shares under the Top Up Facility.
2. Take up part of your Entitlement	<ul style="list-style-type: none">• If you only take up part of your Entitlement, the part not taken up will lapse. You will not be entitled to apply for additional New Shares under the Top Up Facility.• If you do not take up your Entitlement in full you will not receive any payment or value for those Entitlements not taken up.• If you do not take up your Entitlement in full, you will have your percentage holding in Palla Pharma reduced as a result of the Entitlement Offer.
3. Do nothing, in which case your Entitlement will lapse and you will receive no value for those lapsed Entitlements	<ul style="list-style-type: none">• If you do not take up your Entitlement, you will not be allocated New Shares and your Entitlements will lapse. Your Entitlement to participate in the Retail Entitlement Offer is non-renounceable, which means they are non-transferable and cannot be sold, or traded on ASX or any other exchange, nor can they be privately transferred.• If you do not take up your Entitlement you will not receive any payment or value for your Entitlement not taken up.• If you do not take up your Entitlement, you will have your percentage holding in Palla Pharma reduced as a result of the dilution by the shares issued under the Entitlement Offer.

2 How to apply

2.1 Before making a decision

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

2.2 Overview of Capital Raising

Palla Pharma intends to raise approximately \$18 million through the Capital Raising. This includes an Institutional Placement of \$4 million and the Entitlement Offer of \$14 million.

The proceeds of the Capital Raising will be used to:

- (a) reduce PAL’s existing debt;
- (b) improve the PAL’s working capital position to allow it to take advantage of high margin growth opportunities in UK and Europe arising from the PAL’s purchase of Marketing Authorisations; and
- (c) cover the costs of conducting the Capital Raising.

2.3 Overview of Entitlement Offer

Eligible shareholders are being offered the opportunity to purchase 2 New Shares for every 9 existing Shares held as at 7:00pm (Melbourne time) on Tuesday, 2 March 2021 (**Record Date**), at the Offer Price of \$0.50 per New Share.

The Entitlement Offer has two components:

- (a) **Institutional Entitlement Offer of approximately \$8.2 million** — Eligible Institutional Shareholders were given the opportunity to take up all or part of their Entitlement.
- (b) **Retail Entitlement Offer of approximately \$5.8 million** — Eligible Retail Shareholders are given the opportunity to take up all or part of their Entitlements under the Retail Entitlement Offer.

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

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

2.4 Institutional Entitlement Offer

Palla Pharma announced the results of the Institutional Entitlement Offer on Tuesday, 2 March 2021. A copy of Palla Pharma’s announcement to the ASX in relation to the completion of the Institutional Entitlement Offer is set out in Section 3.

The Institutional Entitlement Offer raised approximately \$8.2 million, excluding transaction costs (subject to ongoing Shareholder reconciliation), at an offer price of \$0.50 per New Share.

New Shares subscribed for under the Institutional Entitlement Offer will be allotted on Monday, 8 March 2021 and will commence trading on the ASX on that day.

2.5 The Retail Entitlement Offer

The Retail Entitlement Offer is fully underwritten and will raise approximately \$5.8 million.

Under the Retail Entitlement Offer, Eligible Retail Shareholders are invited to apply for 2 New Shares for every 9 existing Shares held as at the Record Date at the Offer Price of \$0.50 per New Share. New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally in all respects with existing Shares.

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

The Retail Entitlement Offer opens at 9.00am (Melbourne time) on Friday, 5 March 2021 and will close at 5.00pm (Melbourne time) on Monday, 22 March 2021.

2.6 Your Entitlement

Your Entitlement is set out in your personalised Entitlement and Acceptance Form and has been calculated as 2 New Shares for every 9 existing Shares you held as at the Record Date. If the result is not a whole number, your Entitlement will be rounded up to the nearest whole number of New Shares.

Your personal Entitlement and Acceptance Form can be accessed and downloaded via the Capital Raising website: <https://events.miracle.com/PAL-offer>.

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

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

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

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

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

2.8 Options available to you

If you are an Eligible Retail Shareholder, you may:

- take up all your Entitlement in full and, if you do so, you may also apply for additional New Shares under the Top Up Facility (see Section 2.9); or

- take up part of your Entitlement and the rest of your Entitlement will lapse (see Section 2.10); or
- do nothing and allow your Entitlement to lapse (see Section 2.11).

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

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

- pay your Application Money via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form; or
- if you are unable to pay via BPAY® (for example, because you are a New Zealand Shareholder who does not have an Australian bank account), please contact the Offer Information Line on 1300 554 474 between 8.30am to 5.30pm (Melbourne time) Monday to Friday,

in each case, by no later than 5.00pm (Melbourne time) on Monday, 22 March 2021.

If you take up all of your Entitlement, you may also apply for additional New Shares under the Top Up Facility.

Palla Pharma may treat amounts it receives in excess of the Offer Price multiplied by your Entitlement as an Application to apply for as many additional New Shares in the Top Up Facility as will be paid in full from the excess amounts.

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

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

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

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

- pay your Application Money for the relevant part via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form; or
- if you are unable to pay via BPAY® (for example, because you are a New Zealand Shareholder who does not have an Australian bank account), please contact the Offer Information Line on 1300 554 474 between 8.30am to 5.30pm (Melbourne time) Monday to Friday,

in each case, by no later than 5.00pm (Melbourne time) on Monday, 22 March 2021.

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

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

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

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

2.12 Consequences when an Entitlement lapses

If you do not accept all or part of your Entitlement in accordance with the relevant instructions and all or part of your Entitlement lapses, the New Shares to which you would otherwise have been entitled under the Retail Entitlement Offer may be acquired by the Underwriter or any sub-underwriters or by other Eligible Retail Shareholders under the Top Up Facility. The sub-underwriters will include a combination of new and existing institutional and high-net-worth sophisticated investors.

By allowing all or part of your Entitlement to lapse, you will forego any exposure to increases or decreases in the value of New Shares you would have received had you taken up your Entitlement and you will not receive any value for your Entitlement. Your percentage shareholding in Palla Pharma will be diluted accordingly.

2.13 Ineligible Retail Shareholders

All Shareholders who are not Eligible Shareholders are ineligible shareholders (**Ineligible Retail Shareholders**). Ineligible Retail Shareholders will not be entitled to participate in the Entitlement Offer.

Subject to ASIC approval, Palla Pharma will appoint Berne No 132 Nominees Pty Ltd as the nominee for the purposes of section 615 of the Corporations Act to sell New Shares which would otherwise have been available to Ineligible Retail Shareholders had they been eligible to participate in the Retail Entitlement Offer (**Nominee**). The Nominee will not be paid a fee in respect of its role as Nominee.

The Nominee will arrange the sale of New Shares which would have been offered to the Ineligible Retail Shareholders. Palla Pharma will arrange for the proceeds of sale (if any), net of expenses, to be distributed to Ineligible Retail Shareholders in proportion to their Entitlement at the Record Date.

Neither Palla Pharma nor the Nominee will be liable for the failure to sell the New Shares or the failure to sell the New Shares at any particular price.

2.14 Payment

You can pay in the following ways:

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

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

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

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

(a) *Payment by BPAY®*

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

If you are paying by BPAY®, you must use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only use the CRN specific to that

holding. If you do not use the correct CRN specific to that holding your application will not be recognised as valid.

If you pay by BPAY®:

- you do not need to submit your personalised Entitlement and Acceptance Form but are taken to make the declarations, representations and warranties on that Entitlement and Acceptance Form and in Section 2.15; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Money.

It is your responsibility to ensure that your BPAY® payment is received by the Palla Pharma Share Registry by no later than 5.00pm (Melbourne time) on Monday, 22 March 2021. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration in the timing of when you make payment.

(b) Payment by cheque

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

Your cheque must be:

- for an amount equal to \$0.50 multiplied by the number of New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution. Payment cannot be made in New Zealand dollars.

You should ensure that sufficient funds are held in the relevant account to cover the Application Money as your cheque will be processed on the day of receipt. If the amount of your cheque for Application Money (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower whole number of New Shares as your cleared Application Money will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form) and to have provided the representations in Section 2.15. Alternatively, your application will not be accepted.

If you make payment via cheque, your completed personalised Entitlement and Acceptance Form together with your Application Money must be received at Palla Pharma's Share Registry no later than the close of the Retail Entitlement Offer, being 5.00pm (Melbourne time) on Monday, 22 March 2021.

2.15 Representations by acceptance

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

- acknowledge that you have read and understand this Information Booklet and your personalised Entitlement and Acceptance Form in their entirety;

- agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Information Booklet (including Section 5.6), and Palla Pharma's constitution;
- authorise Palla Pharma to register you as the holder(s) of New Shares allotted to you;
- declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- acknowledge that once Palla Pharma receives your payment of Application Money via BPAY® or your personalised Entitlement and Acceptance Form you may not withdraw your application or funds provided except as allowed by law;
- agree to apply for and be issued up to the number of New Shares for which you have submitted payment of any Application Money via BPAY® or have specified in the personalised Entitlement and Acceptance Form at the Offer Price per New Share;
- authorise Palla Pharma, the Underwriter, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- acknowledge that the information contained in this Information Booklet and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that the New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- acknowledge that this Information Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in Palla Pharma and is given in the context of Palla Pharma's past and ongoing continuous disclosure announcements to ASX;
- acknowledge the statement of risks in the "Key Risks" Section of the Investor Presentation contained in Section 3 of this Information Booklet, and that investments in Palla Pharma are subject to risk;
- acknowledge that neither Palla Pharma nor the Underwriter, nor their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of Palla Pharma, nor do they guarantee the repayment of capital;
- agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and of your holding of Shares on the Record Date;
- authorise Palla Pharma to correct any errors in your personalised Entitlement and Acceptance Form or any other form provided by you;

- represent and warrant (for the benefit of Palla Pharma, the Underwriter and its respective related bodies corporate and affiliates) that you did not receive an invitation to participate in the Institutional Entitlement Offer either directly or through a nominee, are not an Ineligible Retail Shareholder and are otherwise eligible to participate in the Retail Entitlement Offer; and
- represent and warrant that the law of any place does not prohibit you from being given this Information Booklet and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares and that you are otherwise eligible to participate in the Retail Entitlement Offer.

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

- you are not in the United States and you are not acting for the account or benefit of a person in the United States;
- you understand and acknowledge that neither the Entitlements nor the New Shares have been, or will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States;
- you are subscribing for or purchasing the Entitlements or the New Shares outside the United States in an “offshore transaction” (as defined in Rule 902(h) under the US Securities Act) in compliance with reliance on Regulation S under the US Securities Act;
- you have not and will not download and send this Information Booklet, the Entitlement and Acceptance Form or any other materials relating to the Retail Entitlement Offer to any person in the United States or any other country outside Australia; and
- if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia and is not in the United States and is not acting for the account or benefit of a person in the United States, and you have not downloaded and sent this Information Booklet, the Entitlement and Acceptance Form or any information relating to the Retail Entitlement Offer to any such person.

2.16 Enquiries

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions about completing it, please contact the Investor Information Line on 1300 554 474. The Investor Information Line will be open from 8.30am to 5.30pm (Melbourne time) Monday to Friday during the Retail Entitlement Offer Period. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.



PALLA PHARMA

FY20 FULL YEAR RESULTS & CAPITAL RAISING

26 February 2021
ASX: PAL



Internal use only

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- placement of new fully paid ordinary shares in PAL (**New Shares**) to sophisticated and professional investors (**Placement**); and
- an accelerated non-renounceable pro rata entitlement offer of New Shares in PAL (**Entitlement Offer**),
(the Placement and the Entitlement Offer are together, the **Capital Raising**).

The Entitlement Offer will comprise an offer:

- to eligible institutional shareholders of PAL in Australia, New Zealand, Hong Kong, Singapore and the United Kingdom (**Institutional Entitlement Offer**); and
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COMPANY OVERVIEW

COMPANY OVERVIEW

Fully integrated opiate based pain relief medication manufacturer from “farmgate to pharmacy”

Low-cost extractor of Narcotic Raw Material (NRM), the largest cost contributor to cost of opiate-based Active Pharmaceutical Ingredient (API) and Finished Dosage Formulation (FDF) products

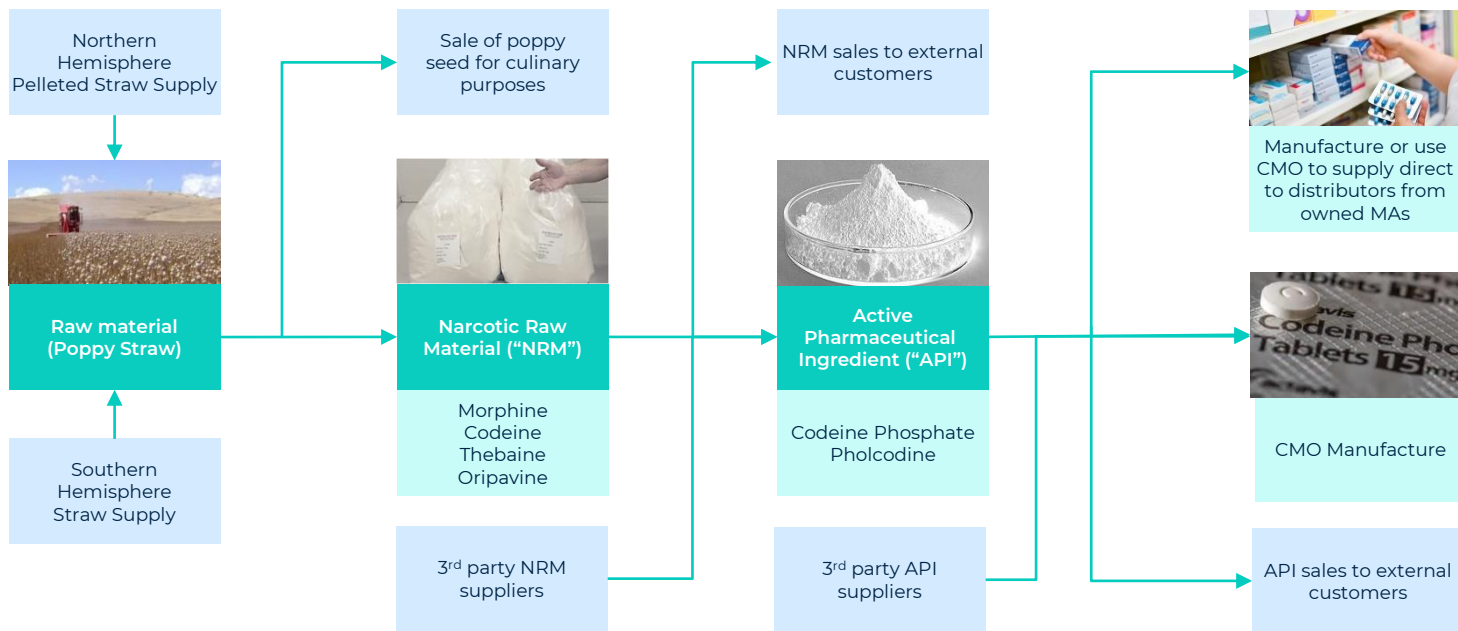
Manufacturer of opiate-based FDF products under Contract Manufacturing (CMO) or direct to distributors from own Marketing Authorisations (MAs)

Growing global supplier of opiate-based pain relief medicines with future opportunities in high-value products and markets



FULLY INTEGRATED SUPPLY CHAIN

Fully integrated opiate based supply chain from “farmgate to pharmacy”; MAs completes product offering



LOOKING AHEAD

Strong future earnings growth potential through acquisition of MAs in 2020

2020 / 2021

ACQUIRED MAs TO DRIVE VOLUME AT HIGHER VALUE

- ✓ Exited low-margin non-opiate FDF CMO contract
- ✓ Acquired 7 opiate based product MAs
- ✓ Simplified production processes
- ✓ Qualified FDF customers for PAL MA products
- ✓ Validation and approval of site change and full transfer of first 2 MA products in February 2021
- ✓ Other MAs transfer in progress

2021 and beyond

FOCUS ON MAXIMISING VALUE ACROSS SUPPLY CHAIN

- ❖ Strategy to optimise supply chain – “buy” or “manufacture”
- ❖ Fully utilise API and tableting capacity
- ❖ Partnership with UK manufacturer to drive further value from acquired MAs
- ❖ Complete remaining MAs transfer, validation and approval process
- ❖ Enter European market to maximise value of existing MAs
- ❖ Continue product development around opiate-based pain relief



FY20 OVERVIEW

CHALLENGING FY20 BUT MAJOR MILESTONES ACHIEVED

Disappointing financial performance in FY20 mainly due to MA approval delays but major milestones achieved

Limited impact of COVID-19 on operations, but paracetamol shortages and deferral of elective surgeries reduced API demand

Regulatory approval delays of two product MAs, combined with COVID-19 related reduced API demand, impacted revenue and earnings; the cessation of the non-opiate based legacy FDF supply agreement significantly reduced revenue compared to 2019

Higher inventory levels were carried to mitigate supply chain interruptions: this coupled with MA approval delays and reduced API demand, led to a major growth in work-in-progress inventory

Core 30/500 Co-Codamol caplet and tablet product approval received in February 2021 with first sales expected in Q2 2021

Senior leadership changes occurred in late 2020 / early 2021



LEADERSHIP TRANSITION UNDERWAY

CEO transition and Board renewal to provide strong foundation for strategic initiative execution

CEO departure in December 2020; CFO Brendan Middleton appointed Interim CEO with hands-on Board support during the transition

Global search firm engaged with new CEO expected to be Northern Hemisphere based

Iain Ross, an experienced pharmaceutical and biotech company director based in the UK, appointed to Board in December 2020

Long serving Board member Todd Barlow resigned in February 2021 after 6 years as a Director to focus on other commitments

Board and management team commenced thorough review of strategy and operations



FY20 RESULTS OVERVIEW

FY20 was a transition year where the company positioned itself for growth through MA Finished Dosage sales

Revenue impacted by early exit of non-opiate based supply agreement and lower API volumes due to major UK customer losing its manufacturing licence; revenue expected to accelerate in FY21 from sale of opiate based FDF products under owned MAs

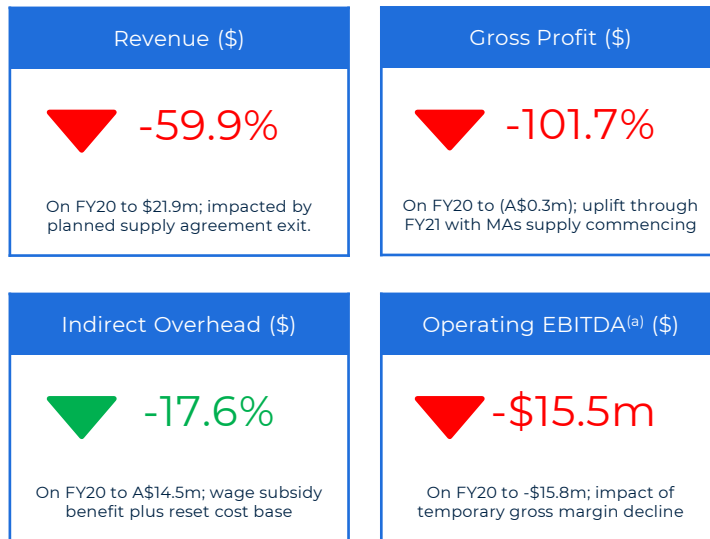
Reduction in gross profit driven by reduced Finished Dosage revenue, production inefficiencies associated with the timing of the FDF supply agreement exit, lower API volumes and lower seed volumes due to reduction in domestic growing area

Indirect overhead cost base reduced by \$3.1m (~17.6%), with effect from April 2020 following exit of the non-opiate CMO supply agreement and the benefit of \$1.1m in wage subsidy receipts

Operating EBITDA^(a) impacted by the decline in revenue, gross margin and costs associated with MA site transfers, partly offset by indirect overhead cost reduction

Net debt increased with the acquisition of the MAs and additional inventory to avoid COVID-19 supply disruption

The FY20 financial results presented throughout this presentation are in the process of being audited



(a) Operating EBITDA is a non-GAAP financial measure – see appendix for reconciliation of Operating EBITDA to statutory net profit/(loss) after tax.

FY20 RESULTS OVERVIEW (CONT'D)

EBITDA impacted by termination of CMO supply agreement and reduced API and seed sales volumes

Production inefficiencies and headcount reduction delays associated with the early exit of the non-opiate CMO supply agreement

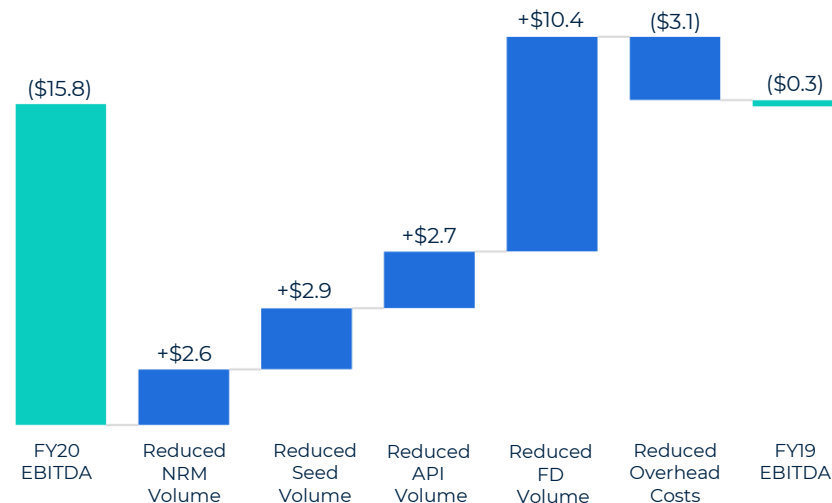
A major UK customer's operating licence was suspended in 2019 for unexpectedly prolonged period, impacting planned volumes to be shipped through 2020 and API production efficiency

Lower API volumes due to COVID-19 impact of delayed elective surgeries and paracetamol shortfalls impacting codeine phosphate ordering patterns, and lower seed volumes due to reduction in domestic growing area

NRM and API production volumes across the business were lower leading to an increased unit cost of production which is not expected in future periods

Indirect overhead reduced by \$3.1m ~ 17.6% including wage subsidy receipts of \$1.1m

EBITDA Bridge: FY20 v FY19 (\$m)



MARKETING AUTHORISATIONS LAUNCH



PALLA PHARMA

MA APPROVALS - A CRITICAL STRATEGIC MILESTONE

Vertical integration complete with approval for first 2 PAL MAs to drive value

Maximise value of product MAs

- 7 product MAs acquired; Norway site approved to manufacture 2 high value MAs and sales to commence in Q2 2021
- Every 1kg of Codeine Phosphate sold via an MA product generates approx. A\$ 1,200/kg revenue compared to approx. A\$ 500/kg when sold as an API.
- EU approval process for core MAs begins in May 2021, expect to enter selected markets by March 2022
- Manufacturing Partnership with M&A Pharmachem (UK) to accelerate value from owned MAs and efficiently access retail market in the UK

Potential Production Capacity

- NRM 70t In Australia
- API 70t in Norway
- FD 28T in Norway
- UK Manufacturing Partnership for FD products



MAs acquired in 2020

Validation and site approval granted

1. 30/500mg Codeine Phosphate/Paracetamol Caplet
2. 30/500mg Codeine Phosphate/Paracetamol Tablet

Validation and site approval pending

1. 8/500mg Codeine Phosphate/Paracetamol Tablet
2. 10/500mg Dihydrocodeine /Paracetamol Tablet
3. 20/500mg Dihydrocodeine / Paracetamol Tablet
4. 30/500mg Dihydrocodeine / Paracetamol Tablet
5. 30mg Dihydrocodeine Tablets

UK MARKET OPPORTUNITY

Strong growth of UK codeine-based products in recent years and market supply dynamics remain favourable

Retail price of a 100-tablet packet (Codeine/Paracetamol 30mg / 500mg) has increased significantly since Q2 2018 from approx. £2.50 to over £4.00 per 100 pack

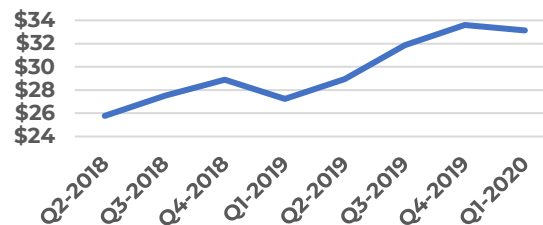
Sales volume in the UK, including retail and hospital, has grown strongly over the same period, up 28.6% and 21.7% over the year to March 2020

Two major manufacturers have not been able to supply product over the last 15 months

With recently approved MAs, and the Manufacturing Partnership established, the company can compete in the UK market and maximise the value of its portfolio of 2 PAL MAs

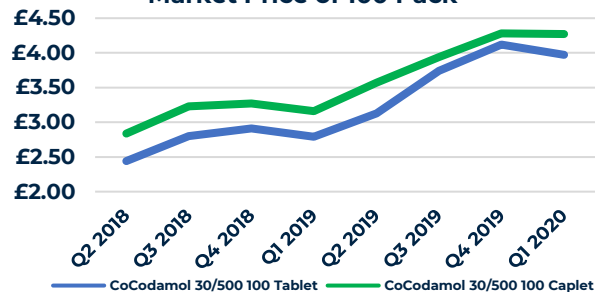


**Co-Codamol 30/500
UK SALES (US\$m)**



Source: Company estimate and IQVIA United Kingdom

Market Price of 100 Pack



Source: Company estimates and IQVIA United Kingdom

CMO PARTNERSHIP TO MAXIMISE UK MA OPPORTUNITY

Expectation of need for additional capacity to realise value from all MAs through CMO partnership

The outstanding litigation with M&A Pharmachem has been settled and a new commercial relationship established to maximise the economic opportunity of the MAs for each party

Established a partnership for UK manufacturing, to accelerate use of the portfolio of Palla owned MAs

CMO and licencing agreement with M&A Pharmachem, gives Palla access to additional capacity and allows M&A Pharmachem to re-establish itself in the market in its own right with limitations on volume

Onshore UK manufacturing capacity also mitigates potential logistics challenges posed by Brexit

M&A Pharmachem will manufacture under MAs which Palla's current capacity will not allow it to use in the short to medium term



m&a
pharmachem ltd

FLEXIBLE CAPACITY AS SALES RAMP UP

Flexible manufacturing capability to drive sales of MA products

Norway site provides core FD capacity

- Initial volume capacity: 750,000 packs per month
- Scope to increase capacity for small cost: A\$1.5m for additional 250,000 packs per month, lead time of 9 months

Manufacturing Partnership with M&A Pharmachem provides additional FD capacity

- 200,000 packs per month post MHRA MA access approval for M&A Pharmachem (expected July 2021)
- Scope for further volumes based on capacity availability

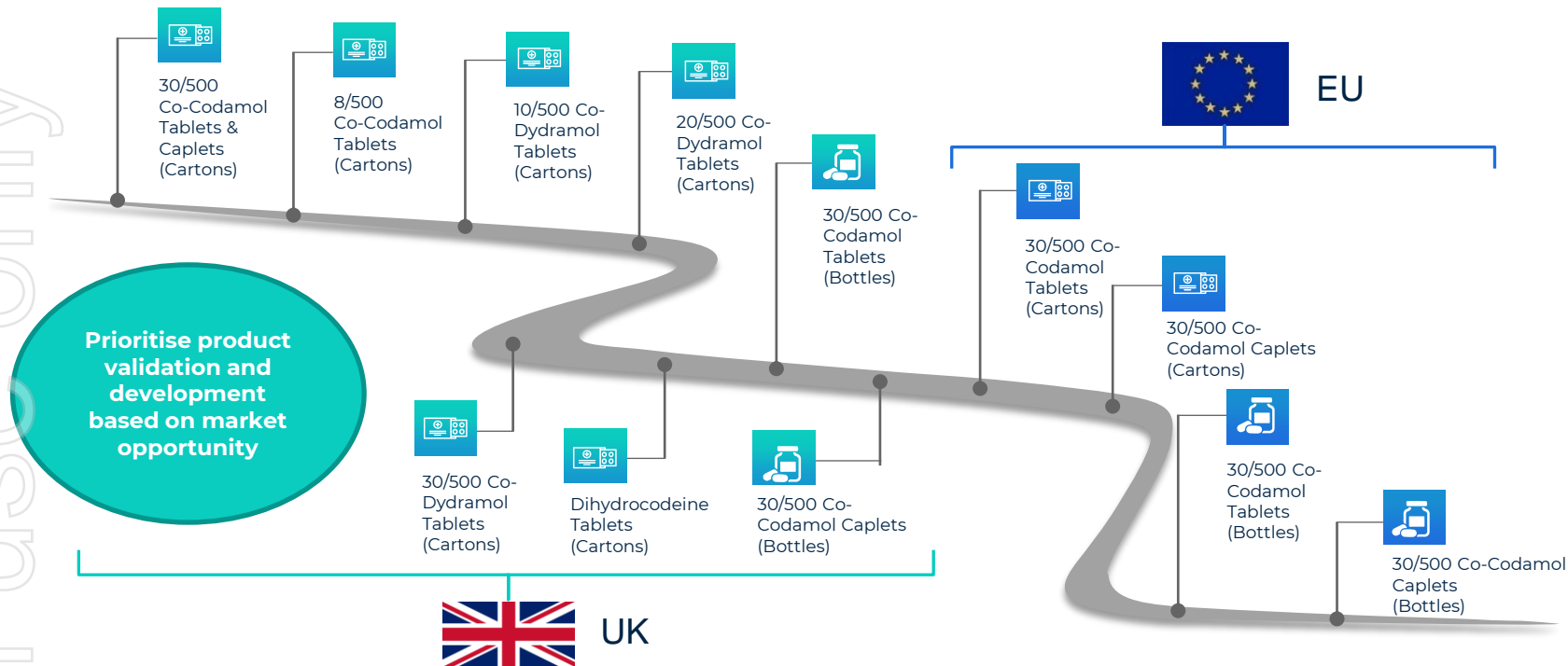
Additional benefit of renewal of API supply arrangements

- Increased API sales
- Flexibility of use of API supplied
- CMO and MA licenced products use Palla API and can be drawn from common inventory



MA PORTFOLIO PRODUCT ROAD MAP

Product Roadmap to drive maximum value from acquired MA's



FY20 FINANCIAL RESULTS



TRADING RESULT SUMMARY

Revenue impacted by planned exit from non-opiate CMO supply agreement and reduced API volumes

A\$ million	FY20	FY19	Change %	
<u>Revenue by Business Unit:</u>				
NRM & Seed	3.8	8.0	↓ 52.5%	• Lower seed revenue due to reduced domestic harvest area and shift to increased offshore straw supply
API	12.3	18.9	↓ 34.9%	• API revenue down compared to FY19, impacted by a major UK customer loss of manufacturing license
Finished Dosage	5.8	27.8	↓ 79.1%	• Finished dosage revenue down compared to FY19 due to the planned early termination of legacy non-opiate based CMO supply agreement
Total Revenue	21.9	54.7	↓ 59.9%	
Gross profit	(0.3)	17.3	↓ 101.7%	• Credit loss provision due to slow payment by major UK customer
Gross margin (%)	(1.2%)	31.6%	↓ 32.8%	
Credit loss provision	(1.0)	-	nm	• Indirect overheads reduced by ~17.6% due to reset cost base due to termination of CMO supply agreement and wage subsidy receipts
Indirect overhead	(14.5)	(17.6)	↑ 17.6%	
Operating EBITDA^(a)	(15.8)	(0.3)	nm	• Significant items include profit on sale of property assets (+\$1.6m) and goodwill impairment charge (\$14.0m)
Significant items	14.3	1.8	nm	
Reported EBITDA	(30.1)	(2.1)	nm	

(a) Operating EBITDA is a non-GAAP financial measure – see appendix for reconciliation of Operating EBITDA to statutory net profit/(loss) after tax.

TRADING RESULT SUMMARY (CONT'D)

Gross margin % impacted by termination of CMO supply agreement and reduced API and seed sales volumes

Gross margin % negatively impacted during FY20

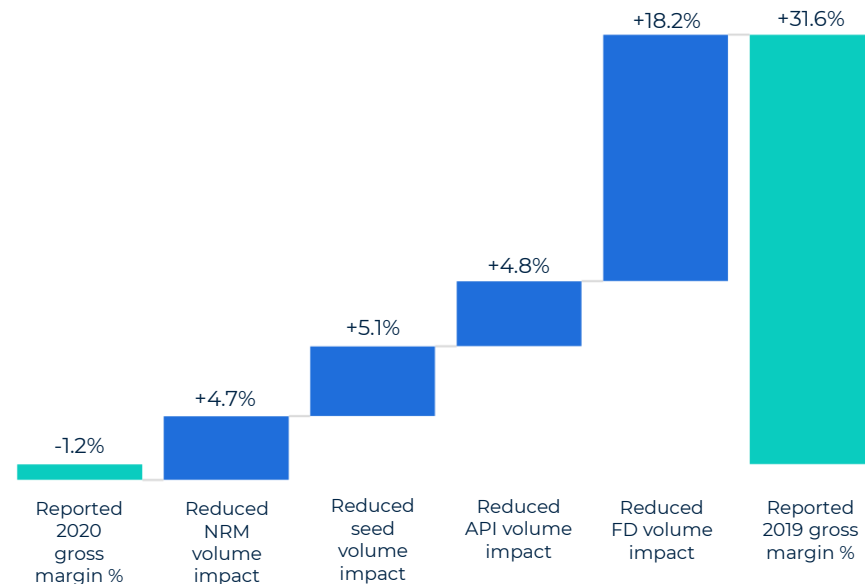
Production inefficiencies and headcount reduction delays associated with the early exit of the non-opiate CMO supply agreement

Major UK customer's operating licence was suspended in November 2019 for unexpectedly prolonged period, impacting planned volumes to be shipped through 2020 and API production efficiency

NRM and API production volumes across the business were lower leading to an increased unit cost of production which is not expected in future period

Margin improvement is expected through sales of higher margin opiate based MAs commencing Q2 2021

Estimated gross margin impact analysis (%)



INCOME STATEMENT SUMMARY

Underlying EBIT and Net Loss impacted by reduced gross profit contribution

A\$ million	FY20	FY19	Change \$
Reported EBITDA	(30.1)	(2.1)	(28.0)
Depreciation and amortisation	2.6	2.5	0.1
Reported EBIT	(32.7)	(4.6)	(28.1)
Underlying EBIT (before significant items shown below)	(18.5)	(2.8)	(15.7)
Net finance expenses	(2.0)	(2.9)	0.9
Income tax benefit	0.0	(0.1)	0.1
Net Profit/(Loss) (before significant items shown below)	(20.5)	(5.8)	(14.7)
Significant items	(14.3)	(1.8)	(12.5)
Reported Net Profit/(Loss)	(34.8)	(7.6)	(27.2)

- Underlying EBIT (EBIT before significant items) impacted by reduced gross profit contribution from reduced sales volume
- Reported Net Loss increased compared to the prior corresponding period due to reduced gross profit contribution; prior period significant items comprised primarily costs associated with high codeine patent litigation

CAPITAL EMPLOYED SUMMARY

Net working capital reduction; increased net debt supporting Marketing Authorisation acquisitions

A\$ million	Dec 2020	Dec 2019	Change \$	
Trade & other receivables	8.3	13.4	(5.1)	• Trade & other receivables reduced due to lower sales revenue
Contract assets	0.8	6.0	(5.2)	• Contract assets reduced due to the termination of the non-opiate CMO contract where additional safety stock required to be held
Inventories				
- Raw materials	5.9	8.6	(2.7)	• Raw materials and work in progress inventory increased to buffer against any COVID-19 supply chain interruptions; focus in FY21 to reduce to normalised levels
- Work in progress	20.5	15.4	5.1	
- Finished goods	2.7	0.4	2.3	
Total inventories	29.1	24.4	4.7	• Net debt has increased to support the acquisition of Marketing Authorisations and fund operating cashflow shortfalls due to reduced production levels
Trade & other payables, provisions	(12.7)	(12.7)	0.0	
Net working capital	25.5	31.1	(5.6)	
Cash	0.6	2.0	(1.4)	
Borrowings	18.0	5.5	12.5	
Net debt	17.4	3.5	13.9	

CAPITAL RAISING SUMMARY



OFFER SUMMARY

Investment case	<ul style="list-style-type: none"> Fully integrated supplier of opiate-based medications globally (farmgate to pharmacy) Despite a challenging 2020, major milestones were achieved including approval for 2 Marketing Authorisations (MA) to access the UK Codeine remains an essential medicine for acute pain relief and palliative care based on the World Health Organisation Model List of Essential Medicines
Use of funds	<ul style="list-style-type: none"> Reduce the Company's existing debt Improve the Company's working capital position to allow it to take advantage of high margin growth opportunities in the UK and Europe arising from the Company's purchase of Marketing Authorisations Cover the costs of conducting the capital raising
Offer structure and size	<ul style="list-style-type: none"> Fully Underwritten Placement and Entitlement Offer to raise gross proceeds of approximately \$18 million (before costs) 2 for 9 pro-rata, accelerated, non-renounceable Entitlement Offer to raise gross proceeds of approximately \$14 million Placement to professional and sophisticated investors to raise approximately \$4 million
Offer price	<ul style="list-style-type: none"> Placement and Entitlement Offer will be conducted at \$0.50 per New Share (Offer Price). <ul style="list-style-type: none"> 27.0% discount to the last traded price of \$0.685 on Thursday, 25 February. 22.3% discount to TERP⁽¹⁾.
Existing shareholder support	<ul style="list-style-type: none"> Existing major shareholders Washington H. Soul Pattinson and Company Limited (holding 25.0m shares equivalent to 19.9% of current SOI), Thorney Investments (holding 23.8m shares equivalent to 18.9% of current SOI), Wentworth Williamson (holding 10.2m shares equivalent to 8.1% of current SOI) and Australian Ethical Investments (holding 7m shares equivalent to 5.6% of current SOI) have each provided a commitment of their intention fully take up their rights under the Entitlement Offer. Each Director who holds shares will take up their entitlement.
Underwriting	<ul style="list-style-type: none"> Offer is fully underwritten by Morgans Corporate Limited
Timing	<ul style="list-style-type: none"> Trading halt and announcement of the Offer Friday, 26 February 2021

(1) The TERP is the theoretical price at which PAL shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which PAL shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to PAL's closing price of \$0.685 on Thursday 25 February 2021.

SOURCES AND USES OF FUNDS

Capital raising to accelerate growth and provide balance sheet flexibility through debt reduction

WHSP debt reduction	Existing WHSP debt facility repayment from capital raise proceeds to reduce the available limit and facility balance to \$15m and extend facility maturity date to 30 April 2022. Facility to be refinanced from bank term debt prior to maturity.
Net working capital / new product development	Working capital support to provide for MA product ramp up period and new MA product development.

Sources and uses of funds

Sources of funds	A\$ million
Entitlement offer	14.0
Placement	4.0
Total	18.0



Uses of funds	A\$ million
WHSP debt reduction	5.0
Net working capital / new product development	12.0
Transaction costs	1.0
Total	18.0

PROFORMA BALANCE SHEET PRE & POST OFFERING

Investment in product development, accelerate debt reduction, position balance sheet for growth

	Statutory		Proforma
A\$ million	As at 30 Dec 2020	Proforma Adjustment	As at 30 Dec 2020
Cash	0.6	7.0	7.6
Trade & other receivables	8.3		8.3
Inventories & contract assets	29.9	5.0	34.9
Property, plant & equipment	23.5		23.5
Right-of-use assets	0.8		0.8
Intangibles & other assets	4.3		4.3
Total Assets	67.4	12.0	79.4
Trade & other payables, provisions	12.8		12.8
Lease Liabilities	0.5		0.5
Borrowings	18.0	(5.0)	13.0
Total Liabilities	31.3	(5.0)	26.3
Total equity	36.1	17.0	53.1

- ~\$12m working capital support to provide for MA product ramp up period and new MA product development.
- Accelerate reduction of high cost working capital debt facility (~\$5m).
- Proforma equity adjustment represents ~\$17m of equity raised net of transaction costs.



OFFER DETAILS

Offer structure and size	<ul style="list-style-type: none"> Fully underwritten Placement and 2 for 9 pro-rata, accelerated, non-renounceable Entitlement Offer to raise gross proceeds of approximately \$18.0 million Approximately 36 million New Shares to be issued
Offer price	<ul style="list-style-type: none"> Entitlement Offer will be conducted at \$0.50 per New Share (Offer Price) <ul style="list-style-type: none"> 27.0% discount to the last traded price of \$0.685 on Thursday, 25 February 2021 and 22.3% discount to TERP⁽¹⁾ of \$0.644
Institutional investors	<ul style="list-style-type: none"> Approximately \$8.5 million Institutional Entitlement Offer to existing institutional shareholders <ul style="list-style-type: none"> the Institutional Entitlement Offer will be conducted on Friday, 26 February 2021 New Shares equivalent to the number of New Shares not taken up and those that would have been offered to ineligible shareholders will be placed into an institutional shortfall bookbuild to be conducted on Monday, 1 March 2021
Retail investors	<ul style="list-style-type: none"> Approximately \$5.5 million non-renounceable Retail Entitlement Offer to existing eligible retail shareholders <ul style="list-style-type: none"> the Retail Entitlement Offer will open on 10.00am (Melbourne, Australia time) Friday, 5 March 2021 and close on 5.00pm (Melbourne, Australia time) Monday, 22 March 2021 eligible retail shareholders may also apply for additional New Shares beyond their entitlement, up to a maximum of 100% of their Entitlement, subject to the limitations and scale-back discretion detailed in the Retail Offer Booklet
Ranking	<ul style="list-style-type: none"> New Shares issued under the Entitlement Offer and Placement will rank equally with existing fully paid ordinary shares from their time of issue, however, New Shares under the Placement do not have rights to participate in the Entitlement Offer
Underwriters	<ul style="list-style-type: none"> Offer is fully underwritten by Morgans Corporate Limited

(1) The TERP is the theoretical price at which PAL shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which PAL shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to PAL's closing price of \$0.685 on Thursday 25 February 2021.



OFFER TIMETABLE

Event	Date ⁽¹⁾
Trading halt and announcement of the offer	Friday, 26 February 2021
Placement and Institutional Entitlement Offer opens	Friday, 26 February 2021
Institutional Entitlement Offer closes	Monday, 1 March 2021
Placement and Institutional Shortfall Bookbuild	Monday, 1 March 2021
Trading halt lifted and shares recommence trading on ASX	Tuesday, 2 March 2021
Record Date for determining entitlement to subscribe for New Shares	7.00pm ⁽²⁾ Tuesday, 2 March 2021
Retail Entitlement Offer opens	10.00am ⁽²⁾ Friday, 5 March 2021
Retail Entitlement Offer Booklet despatched to eligible shareholders	Friday, 5 March 2021
Settlement of applications in the Institutional Entitlement Offer	Friday, 5 March 2021
Allotment and normal trading of New Shares under the Placement and Institutional Entitlement Offer	Monday, 8 March 2021
Retail Entitlement Offer closes	5.00pm ⁽²⁾ Monday, 22 March 2021
Settlement of Retail Entitlement Offer	Monday, 29 March 2021
Quotation of New Shares under the Retail Entitlement Offer	Tuesday, 30 March 2021
Dispatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Wednesday, 31 March 2021

Notes:

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



STRATEGY UPDATE & OUTLOOK



GROWTH STRATEGY / STRATEGIC INITIATIVES

How Palla Pharma is delivering on its strategic objectives



Develop a strong foundation for growth

- One of six licensed NRM producers globally; one of three fully integrated suppliers (NRM to FDF)



Penetrate existing markets

- Fully integrated supplier provides multiple channels to market (NRM/API/FDF)
- Approval granted on first 2 MAs in FY21 for use in UK market
- First sale to commence in Q2 2021



Create strategic relationships / partnerships

- Manufacturing Partnership with recapitalised M&A Pharmachem to access additional manufacturing capacity and drive maximum value from Palla's MA portfolio



Develop new products

- Develop suite of opiate based API's (**FY21/22**)
- Obtain marketing authorisations to expand opiate based Finished Dosage capability (**acquired MAs in FY20**)
- Continue to explore market consolidation and value-add acquisition opportunities (**ongoing**)
- Target anti-addiction API's (**FY22/23**)



Developing countries

- Significant unmet demand in developing countries: 15% of the global population consume 92% of global supply
- Strong population growth demographics in developing countries which lack access to pain medication
- Active Palla relationships with purchasing /supply agents in Africa and Asia

2021 OUTLOOK

Revenue and earnings to be heavily skewed to second half of 2021 as MA sales ramp up to full capacity

Confirmation of CMO supply agreement and indicative MA sales volumes will see FDF capacity full by end of Q1 2021 with entire Norway FDF capacity planned to be utilised supplying MA products by Q4 2021

Manufacturing Partnership adds additional capacity to maximise the value from owned MAs while reducing product distribution complexity and risks of disruptions related to Brexit

Revenue and margins expected to increase through 2H21 as MA product sales growth is demonstrated and full capacity utilisation is established, and further planning for earnings accretive capacity expansion takes place

Core focus on cashflow generation, operating at scale and reducing significant inventory levels built up in FY20

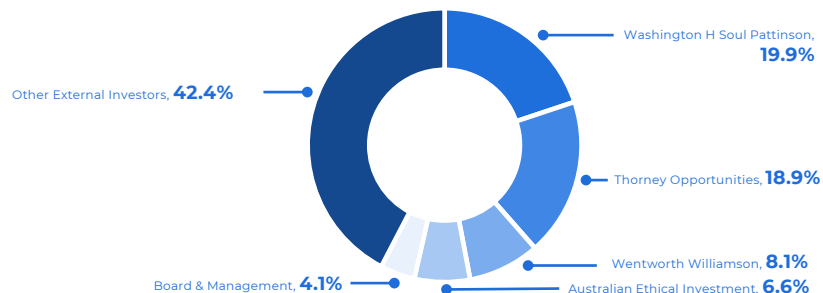
New CEO to be appointed with search underway



APPENDICES

CAPITAL STRUCTURE & SUBSTANTIAL SHAREHOLDERS

SHAREHOLDERS



CAPITAL STRUCTURE

Share Price (25 February 2021)	\$0.685
Fully Paid Ordinary Shares	125.9m
Market Capitalisation (25 February 2021)	\$86.3m
Net debt (31 December 2020)	\$17.4m

DIRECTORS & SENIOR MANAGEMENT

Simon Moore	Independent	Non-Executive Chairman
Stuart Black	Independent	Non-Executive Director
Sue MacLeman	Independent	Non-Executive Director
Iain Ross	Independent	Non-Executive Director
Mark Licciardo		Company Secretary
Brendan Middleton		Interim CEO & Chief Financial Officer

NON-GAAP FINANCIAL MEASURE RECONCILIATION

Reconciliation of Operating EBITDA (non-GAAP financial measure) to statutory Net Profit/(Loss)

A\$ ('000)	FY20	FY19
Net Profit/(Loss) for period	(34,756)	(7,639)
<i>Add:</i>		
(+) litigation settlement expenses	851	1,913
(+) acquisition related expenses	294	122
(+) impairment of goodwill	13,956	-
(+) Impairment of inventory to net realisable value	1,000	-
(-/+) (gain)/loss from non-core equipment disposal	(1,632)	(14)
(+) depreciation and amortisation	2,660	2,514
(+) net finance expenses	2,036	3,089
(+/-) income tax expense/(benefit)	-	(138)
<i>Less</i>		
(-) other income	(201)	(158)
Operating EBITDA	(15,792)	(312)

- The consolidated financial statements of the Group are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASB's) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS's) adopted by the International Accounting Standards Board (IASB).
- This presentation includes 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 this non-GAAP financial measure provides useful information to readers to assist in the understanding of the Group's financial performance, financial position or returns, but that they 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.

KEY RISKS & INTERNATIONAL OFFER RESTRICTIONS

KEY RISKS

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

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

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

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

Going Concern	<p>On Friday, 26 February 2021, PAL presented its unaudited accounts for FY2020 via an analyst and investor conference call. Given the current financial position of PAL and the question therefore raised as to its ability to continue as a going concern, the release of PAL's audited accounts has been delayed to enable the auditors to form a view on the going concern basis of the Company following the institutional component of the Capital Raising. The Board considers it likely that the audited report will be subject to an emphasis of matter in relation to PAL's ability to continue to operate as a going concern.</p> <p>Failure to complete the Capital Raising may result in PAL no longer being able to continue as a going concern. If PAL is unable to continue as a going concern, it may be required to realise its assets and/or settle its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. In addition, there is a risk that that PAL's auditors may not form a view that PAL can continue is a going concern and may refuse to provide an audited opinion on the accounts.</p>
Market Conditions	<p>The price at which PAL shares are quoted on ASX may increase or decrease due to a number of factors outside PAL's control and which are not explained by the fundamental operations and activities of PAL. These factors may cause the shares to trade at prices above or below the price at which the shares were initially acquired. There is no assurance that the price of the shares will increase if they are quoted on ASX.</p>
Environment	<p>PAL operates in a regulatory environment that establishes high standards in terms of environmental compliance. Any material failure by PAL to adequately control hazardous substances and manufacturing operations, including the discharge of waste material, or to meet its various statutory and regulatory environmental responsibilities, could result in significant liabilities as well as ongoing costs relating to operations inefficiencies which may arise.</p>



KEY RISKS (CONTINUED)

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

KEY RISKS (CONTINUED)

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

KEY RISKS (CONTINUED)

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

KEY RISKS (CONTINUED)

Credit risk	Credit market conditions and the operating performance of PAL will affect borrowing costs as well as PAL's ability to repay, refinance and increase its debt.
Dilution Risk	<p>The issue of New Shares under the Entitlement Offer will dilute the interests of ineligible shareholders. Moreover, if you are eligible to participate in the Entitlement Offer and do not take up all of your entitlement, then your percentage holding in PAL will be diluted. Even if you do take up all of your Entitlement, your percentage holding in PAL will be diluted by the Placement (unless you are an institutional investor and participate in the Placement or you apply for New Shares in addition to your entitlement through the Top-Up Facility and you are successful in receiving an allocation equivalent to the full equivalent percentage of your holding in PAL.</p> <p>Moreover, in the future PAL may elect to issue shares or engage in capital raisings to fund its operations, for working capital purposes or to fund other opportunities that the Company may decide to pursue. While PAL will be subject to the constraints of the Corporations Act, shareholders at the time may be diluted as a result of such issuances of securities.</p>
Pandemic risks	The COVID-19 pandemic has impacted all businesses. PAL's share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. The length and duration of the current pandemic and the economic impact remain uncertain. The pandemic will continue to have an ongoing and unknown impact on PAL. Any further virus outbreaks in Australia or overseas may adversely affect PAL's operations and financial performance and are beyond PAL's control.

INTERNATIONAL OFFER RESTRICTIONS

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

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

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

Singapore

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

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

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



INTERNATIONAL OFFER RESTRICTIONS

Hong Kong

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

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

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

Netherlands

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

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the Netherlands is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).



INTERNATIONAL OFFER RESTRICTIONS

United Kingdom

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

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

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

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

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



nal use only



PALLA PHARMA



PALLA PHARMA

ASX ANNOUNCEMENT

Friday 26 February 2021

PAL announces Entitlement Offer

Palla Pharma Limited (ASX: PAL) (**PAL**) announces that it is conducting a placement to institutional investors to raise approximately \$4 million (**Placement**), and an accelerated non-renounceable pro-rata entitlement offer to raise approximately \$14 million (**Entitlement Offer**) (together forming the **Capital Raising**). The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**).

Investors will be offered new fully paid ordinary shares under the Capital Raising (**New Shares**). Morgans Corporate Limited has agreed to fully underwrite the Entitlement Offer.

The proceeds of the Capital Raising will be used to:

- reduce PAL's existing debt;
- improve the PAL's working capital position to allow it to take advantage of high margin growth opportunities in UK and Europe arising from the PAL's purchase of Marketing Authorisations; and
- cover the costs of conducting the Capital Raising.

The Capital Raising will be conducted at an offer price of \$0.50 per New Share which represents a 27% discount to PAL's last closing price and 22.3%¹ discount to the Theoretical Ex-Rights Price (TERP²).

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 2 New Shares for every 9 existing PAL shares (**Entitlement**) held at 7:00pm (AEDT) on Tuesday, 2 March 2021 (**Record Date**).

New Shares will be fully paid and rank equally in all respects with existing PAL ordinary shares. The Capital Raising will result in the issue of up to approximately 36 million New Shares, representing approximately 28.6% of PAL's existing securities on issue.

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

Placement

Eligible institutional investors will be invited to participate in the Placement. New Shares issued under the Placement do not have rights to participate in the Entitlement Offer.

Entitlement Offer

The Entitlement Offer is non-renounceable and rights are not transferrable and will not be traded on the ASX or other exchange.

¹ At Friday 26 February 2021, PAL's last closing price was A\$0.685 per share and the TERP is A\$0.644 per share.

² TERP is a theoretical calculation only and the actual price at which PAL shares trade immediately following the ex-date for the Entitlement Offer may be different from TERP. TERP has been calculated as: (existing market capitalisation of PAL plus additional equity raised) / total shares on issue following the Entitlement Offer.



PALLA PHARMA

Eligible shareholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements not taken up.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer. Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Entitlements not taken up under the Institutional Entitlement Offer will be offered to eligible institutional investors at the Offer Price.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date of 7.00pm (AEDT), Tuesday, 2 March 2021 will be invited to participate in the Retail Entitlement Offer. The Retail Entitlement Offer opens on Friday, 5 March 2021 and closes at 5.00pm (Melbourne time) on Monday, 22 March 2021.

Further details about the Retail Entitlement Offer will be outlined in a retail offer booklet (**Information Booklet**) which will be lodged with the ASX on Friday, 5 March 2021 and available to view on the Entitlement Offer website: <https://events.miracle.com/PAL-offer>. PAL will send letters to Eligible Retailer Shareholders on Friday, 5 March 2021 containing their login details to access the Entitlement Offer website: <https://events.miracle.com/PAL-offer> for the purposes of downloading the Information Booklet and personalised Entitlement and Acceptance Form. Additional information can be found in the investor presentation lodged with the ASX.

For Eligible Retail Shareholders who wish to take up all or part of their Entitlement, payment must be made via BPAY® or a cheque sent with the completed Entitlement and Acceptance Form. Payment must be received before the Retail Entitlement Offer closes at 5.00pm (Melbourne time) on Monday, 22 March 2021.

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

Capital Raising timetable

Event	Date
Company announces Capital Raising	Friday, 26 February 2021
Placement and Institutional Entitlement Offer opens	Friday, 26 February 2021
Placement and Institutional Entitlement Offer closes	Monday, 1 March 2021
Results of Placement and Institutional Entitlement Offer	Tuesday, 2 March 2021

Palla Pharma Limited

PO Box 2139 Melbourne, VIC 3001, Australia

T +61 3 9301 0800 / F +61 3 9301 0899 / W pallapharma.com / E info@pallapharma.com



PALLA PHARMA

Record Date for the Retail Entitlement Offer	Tuesday, 2 March 2021
Despatch of Information Booklet and Entitlement and Acceptance Form to Eligible Retail Shareholders	Friday, 5 March 2021
Retail Entitlement Offer opens	Friday, 5 March 2021
Allotment and quotation of New Shares issued under Placement and Institutional Entitlement Offer	Monday, 8 March 2021
Retail Entitlement Offer closes	Monday, 22 March 2021
Announcement of Results of Retail Entitlement Offer	Thursday, 25 March 2021
Allotment of New Shares under the Retail Entitlement Offer	Monday, 29 March 2021
Normal trading of New Shares issued under the Retail Entitlement Offer expected to commence on ASX	Tuesday, 30 March 2021
Despatch of holding statements	Wednesday, 31 March 2021

The timetable above is indicative only and subject to change. PAL reserves the right to alter the dates at its full discretion without prior notice, subject to the ASX listing rules and the *Corporations Act 2001* (Cth).

Legal adviser

Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne VIC 3000
www.abl.com.au

Lead Manager and Underwriter to the Capital Raising

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

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

Palla Pharma Limited

PO Box 2139 Melbourne, VIC 3001, Australia

T +61 3 9301 0800 / F +61 3 9301 0899 / W pallapharma.com / E info@pallapharma.com



PALLA PHARMA

For more information please contact:

Simon Moore

Chairman
Palla Pharma Limited
+61 3 9301 0800

Brendan Middleton

Interim CEO
Palla Pharma Limited
+61 3 9301 0800

Adrian Mulcahy

Investor Relations
Market Eye
+61 438 630 422
ir@pallapharma.com

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

ASX ANNOUNCEMENT

Tuesday, 2 March 2021

Palla Pharma successfully completes Placement and Institutional component of Entitlement Offer, raising approximately \$12.24 million

Palla Pharma Limited (ASX: PAL) (**PAL**) is pleased to announce the successful completion of an approximately \$4 million placement to institutional investors (**Placement**) and the approximately \$8.2 million institutional component of the 2 for 9 accelerated pro rata non-renounceable entitlement offer (**Institutional Entitlement Offer**, and together with the Placement, the **Institutional Offer**) of new shares in PAL (**New Shares**). The Institutional Offer forms part of the fully underwritten \$18 million Capital Raising announced to the ASX on Friday 26 February 2021.

New Shares subscribed for under the Institutional Offer will be allotted on Monday, 8 March 2021 and will commence trading on the ASX on that day.

The proceeds of the Institutional Offer will be used to:

- reduce PAL's existing debt;
- improve the PAL's working capital position to allow it to take advantage of high margin growth opportunities in UK and Europe arising from the PAL's purchase of Marketing Authorisations; and
- cover the costs of conducting the Capital Raising.

Morgans Corporate Limited have lead managed and underwritten the Capital Raising, including the Institutional Offer.

Institutional Offer Details

- The Institutional Entitlement Offer had a take up rate of approximately 93.9% by eligible institutional shareholders. The institutional shortfall was allocated to a range of existing and new institutional and high net worth investors.
- All New Shares offered under the Institutional Offer were issued at the offer price of \$0.50 per New Share (**Offer Price**).
- Approximately 24.4 million New Shares subscribed for under the Institutional Offer are expected to commence trading on Monday, 8 March 2021.

Retail Entitlement Offer

The retail component of the Entitlement Offer (**Retail Entitlement Offer**), which is expected to raise approximately \$5.8 million, will open on Friday, 5 March 2021 and close at 5pm (AEDT) on Monday, 22 March 2021.

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date will have the opportunity to subscribe for 2 New Shares for every 9 existing PAL shares held at 7pm (AEDT) on Tuesday, 2 March 2021 (**Record Date**) at the Offer Price.

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PO Box 2139 Melbourne, VIC 3001, Australia

T +61 3 9301 0800 / F +61 3 9301 0899 / W pallapharma.com / E info@pallapharma.com

In deciding whether to participate in the Retail Entitlement Offer, eligible retail shareholders should carefully read the retail offer booklet (**Information Booklet**), which was lodged with the ASX on Friday, 5 March 2021 and available to view on the Capital Raising website: <https://events.miracle.com/PAL-offer>. PAL will send letters to eligible retail shareholders on Friday, 5 March 2021 containing their login details to access the Capital Raising website (<https://events.miracle.com/PAL-offer>) for the purposes of downloading the Information Booklet.

Please note that shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Retail Entitlement Offer. Further details as to eligibility will be set out in the Information Booklet.

Under the Retail Entitlement Offer, eligible retail shareholders that take up their full Entitlement may also apply for additional New Shares in excess of their Entitlement.

Additional information can be found in the investor presentation lodged with the ASX.

Key dates for the Retail Entitlement Offer are:

Event	Date
Record Date for the Entitlement Offer	7.00pm on Tuesday, 2 March 2021
Despatch of Information Booklet and Entitlement and Acceptance Form to Eligible Retail Shareholders	Friday, 5 March 2021
Retail Entitlement Offer opens	Friday, 5 March 2021
Retail Entitlement Offer closes	Monday, 22 March 2021
Allotment of New Shares under the Retail Entitlement Offer	Monday, 29 March 2021
Normal trading of New Shares issued under the Retail Entitlement Offer expected to commence on ASX	Tuesday, 30 March 2021
Despatch of holding statements	Wednesday, 31 March 2021

Shareholder enquiries

Retail shareholders who have questions in relation to the Retail Entitlement Offer should call 1300 794 935.

Further information in relation to the equity raising can be found in the market release and investor presentation lodged with the ASX on Friday, 26 February 2021.

For more information please contact:

Simon Moore

Chairman
Palla Pharma Limited
+61 3 9301 0800

Brendan Middleton

Interim CEO
Palla Pharma Limited
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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.

This ASX announcement was authorised for release by PAL's Board of Directors

4 Australian Tax considerations

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

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

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

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

Neither Palla Pharma nor any of its officers or employees, nor its taxation and other advisers, accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences.

The comments below are based on the Australian tax law and administrative practice as it applies as at 9:00am (Melbourne time) on Thursday, 25 February 2021. Other than as expressly discussed, the comments do not take into account or anticipate changes in Australian tax law or future judicial interpretations of law after this time unless otherwise specified.

4.1 Issue of Entitlement

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

4.2 Exercise of Entitlement and applying for additional New Shares

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

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

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

The cost base of each New Share and additional New Share will be equal to the Offer Price payable for each New Share and additional New Share respectively (plus any non-deductible incidental costs the Eligible Shareholder incurs in acquiring the New Shares and additional New Shares). For CGT purposes, the Eligible Shareholder will need to apportion the cost of each New Share and additional New Share over the separate assets that comprise the Retail Entitlement Offer on a reasonable basis.

4.3 Lapse of Entitlement

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

4.4 Distributions on New Shares

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

4.5 Disposal of New Shares or additional New Shares

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

On disposal of a New Share or an additional New Shares, an Eligible Shareholder will:

- make a net capital gain if the capital proceeds received on disposal exceed the total cost base of the New Share or additional New Share; or
- make a net capital loss if the capital proceeds are less than the total reduced cost base of the New Share or additional New Share.

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

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

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

4.6 Taxation of Financial Arrangements

The TOFA provisions operate to make assessable or deductible, gains or losses from certain 'financial arrangements' (importantly, the CGT discount is not available for any gain

that is subject to the TOFA provisions). A right to receive a share is a 'financial arrangement', however, depending on the facts and circumstances of a particular Eligible Shareholder, the TOFA provisions may not apply. Eligible Shareholders should seek advice from an appropriate professional advisor in relation to the implications of the TOFA provisions.

4.7 Tax File Number

If an Eligible Shareholder has quoted their Australian Business Number (**ABN**), Tax File Number (**TFN**) or an exemption from quoting their TFN exists, this quotation or exemption will also apply in respect to any New Shares or additional New Shares acquired by that Eligible Shareholder.

4.8 GST

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

4.9 Stamp duty

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

5 Important information

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

This Information Booklet is dated Friday, 5 March 2021 (other than the Investor Presentation, the announcement of the Capital Raising and completion of Institutional Entitlement Offer published on the ASX website on Friday, 26 February 2021 and Tuesday, 2 March 2021). This Information Booklet remains subject to change without notice and Palla Pharma is not responsible for updating this Information Booklet.

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

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

This Information Booklet is important and requires your immediate attention.

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

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

5.1 Trading of New Shares

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

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

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

5.2 Eligible Retail Shareholders

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

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

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

5.3 Ineligible Retail Shareholders

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

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

Subject to ASIC approval, Palla Pharma will appoint Berne No 132 Nominees Pty Ltd as the nominee for the purposes of section 615 of the Corporations Act to sell New Shares which would otherwise have been available to Ineligible Retail Shareholders had they been eligible to participate in the Retail Entitlement Offer (**Nominee**). The Nominee will not be paid a fee in respect of its role as Nominee.

The Nominee will arrange the sale of New Shares which would have been offered to the Ineligible Retail Shareholders. Palla Pharma will arrange for the proceeds of sale (if any), net of expenses, to be distributed to Ineligible Retail Shareholders in proportion to their Entitlement at the Record Date.

5.4 Eligible Institutional Shareholders

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

5.5 Ranking of New Shares

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

5.6 Risks

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

5.7 Reconciliation, Top Up Shares and the rights of Palla Pharma and the Underwriter

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

Palla Pharma also reserves the right to reduce the size of an Entitlement or number of New Shares allocated to Eligible Institutional Shareholders or Eligible Retail Shareholders, or

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

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

5.8 No cooling off rights

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

5.9 Rounding of Entitlements

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

5.10 Notice to nominees and custodians

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

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

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

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

5.11 Not investment advice

This Information Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Palla Pharma is not licensed to provide financial product advice in respect of the New Shares. This Information Booklet does not purport to contain all the information that you may require to evaluate a possible application for New Shares, nor does it purport to contain all the information which would be required in a prospectus prepared in accordance

with the requirements of the Corporations Act. It should be read in conjunction with Palla Pharma's other periodic statements and continuous disclosure announcements lodged with ASX, which are available at <http://www.pallapharma.com/>.

Prospective investors should conduct their own independent investigation and assessment of the Retail Entitlement Offer and the information contained in, or referred to in, this Information Booklet. An investment in Palla Pharma is subject to investment risk including possible loss of income and principal invested. Before deciding whether to apply for New Shares, you should consider all materials sent to you in relation to the Retail Entitlement Offer and any relevant materials lodged with ASX, and whether the New Shares are a suitable investment for you in light of your own investment objectives, financial circumstances and investment needs (including financial and taxation issues) and having regard to the merits or risks involved (including the 'Key Risks' set out in the Investor Presentation). If, after reading the Information Booklet, you have any questions about the Retail Entitlement Offer, you should contact your stockbroker, accountant or other professional adviser or call the Investor Information Line on 1300 554 474 between 8.30am and 5.30pm (Melbourne time) Monday to Friday during the Retail Entitlement Offer Period.

5.12 Quotation and trading

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

Subject to approval being granted, it is expected that normal trading of New Shares allotted under the Retail Entitlement Offer will commence on Tuesday, 30 March 2021.

5.13 Continuous disclosure

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

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

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

5.14 Information Booklet availability

If you are in Australia or New Zealand, you can call the Investor Information Line on 1300 554 474 between 8.30am and 5.30pm (Melbourne time) Monday to Friday during the Retail Entitlement Offer Period to order a copy of this Information Booklet.

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

5.15 Foreign jurisdictions

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

The New Shares are not being offered or sold to the public within New Zealand other than to existing Shareholders of Palla Pharma with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2018 (New Zealand).

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

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

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

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

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

5.16 Underwriting of Capital Raising

Palla Pharma has entered into an underwriting agreement (**Underwriting Agreement**) with Morgans Corporate Limited who has agreed to fully underwrite the Capital Raising.

As is customary with these types of arrangements:

- the obligations of the Underwriter to underwrite the Capital Raising are subject to the satisfaction of certain conditions precedent in respect of the Capital Raising including:
 - all ASX/ASIC approvals (if any) not being withdrawn or modified;
 - the Underwriter receiving a new circumstances sign off from the due diligence committee and a certificate executed by Palla Pharma certifying that it has complied with its obligations under the Underwriting Agreement and is not in breach, before each issue of New Shares under the Capital Raising;
 - ASX not indicating that it will not grant permission for the official quotation of New Shares on 5 March 2021 (in the case of the Institutional Offer) or 29 March 2021 (in the case of the Retail Entitlement Offer);
 - Palla Pharma allotting and issuing New Shares under the Institutional Offer and appropriately notify the Underwriter in accordance with the Underwriting Agreement; and
 - the Underwriter receiving a notice from Palla Pharma setting out the number of Shares subject to the Retail Entitlement Offer shortfall;

- Palla Pharma has agreed, subject to certain carve-outs, to indemnify the Underwriter, its affiliates, successors and related bodies corporate, and each of their respective directors, officers, agents, employees, representatives or advisers from and against all losses directly or indirectly suffered or incurred in connection with the Capital Raising, this Information Booklet, Palla Pharma's ASX announcements, the Underwriting Agreement and certain other Capital Raising documents;
- Palla Pharma has given certain representations, warranties and undertakings in connection with (among other things) the Capital Raising including as to Palla Pharma's capacity to enter into the Underwriting Agreement, accounts, compliance with applicable law, due diligence and offer documentation and shareholder approval not being required to conduct the Capital Raising;
- the Underwriter may terminate the Underwriting Agreement and be released from their obligations under it on the occurrence of certain events including, if any of the following events occurs:
 - Palla Pharma is removed from the official list of ASX or any New Shares are delisted or suspended from quotation by ASX;
 - the S&P/ASX 300 Index falls by 10% or more from the level as at the close of trading on the business day immediately prior to the date of the Underwriting Agreement;
 - ASX refuses to grant approval for the official quotation of all New Shares or such approval is withdrawn, qualified (other than by way of customary conditions) or withheld before the date of allotment and issue of the relevant New Shares;
 - Palla Pharma alters its capital structure without the consent of the Underwriters;
 - the offer documents include any forecast, expression of opinion, belief, intention or expectation which is not based on reasonable grounds;
 - there is a delay of more than one business day for any event listed in the Underwriting Agreement timetable without the Underwriters' prior consent;
 - Palla Pharma withdraws the Capital Raising or any component of it;
 - any circumstance arises that results in Palla Pharma either repaying the money received from applicants or offering applicants an opportunity to withdraw their acceptances;
 - Palla Pharma fails to furnish any closing certificate required to be provided under the Underwriting Agreement or a statement in that certificate is untrue or incorrect;
 - there occurs a new circumstance that has arisen since the announcement of the Capital Raising that would have been required to be included in the offer materials if it had arisen before the offer materials were given to ASX;
 - an insolvency event occurs;
 - the directors cease to be satisfied that the safe harbour provisions in the Corporations Act apply (if applicable)

- a material adverse change occurs in the assets, liabilities, financial position or performance, profit, losses or prospects of Palla Pharma from the position disclosed in the information publicly available or the offer documents prior to the date of the Underwriting Agreement;
- a force majeure event occurs;
- a statement contained in the offer materials is or becomes misleading or deceptive (including by omission) or likely to mislead or deceive, or the offer materials omit any information required under the Corporations Act;
- ASX or ASIC withdraws or revokes any waivers or relief granted to Palla Pharma for the purposes of conducting the Capital Raising;
- Palla Pharma or any of its affiliates, directors or officers engage in any fraudulent conduct or activity whether or not in connection with the Capital Raising;
- a director or senior manager of Palla Pharma is charged with an indictable offence relating to financial or corporate matters, or a director is disqualified from managing a corporation;
- there is a change in the senior management or board of Palla Pharma before completion of the Capital Raising without the Underwriter's consent;
- ASIC issues or threatens to issue proceedings in relation to the Capital Raising or commences any formal inquiry or investigation into the Capital Raising (or announces its intention to do so);
- there is an application to any other government agency for any order, declaration or other remedy, or any other government agency commences any other investigation or hearing or announces its intention to do so, in each case in connection with the Capital Raising (or any part of it);
- ASIC or any other government agency commences or gives notice of an intention to commence prosecution of Palla Pharma, its directors or employees;
- ASIC or any other government agency commences or gives notice of an intention to commence a hearing or investigation into Palla Pharma;
- Palla Pharma is in breach of any terms and conditions of the Underwriting Agreement;
- any representation or warranty given or made by Palla Pharma under the Underwriting Agreement is breached or becomes untrue or incorrect;
- the occurrence of an event specified in section 652C(2) of the Corporations Act where the reference to 'target' is replaced with a reference to 'Company';
- any information supplied to the Underwriter by Palla Pharma is or becomes false, misleading or deceptive, or is or becomes likely to mislead or deceive (including, in each case, by omission);
- a scheme of arrangement or reconstruction is announced by Palla Pharma or another offer to shareholders is announced which, if implemented, may

result in a person acquiring a beneficial interest in, or voting power, of 50% or more in Palla Pharma;

- an obligation arises on Palla Pharma to give ASX a notice in accordance with section 708AA(12)(a) of the Corporations Act or section 708A(10) of the Corporations Act or an event or circumstance occurs or becomes known that would, in the Underwriter's reasonable opinion, have required Palla Pharma to provide the same;
- there is a change in relevant law or policy in Australia which does or is likely to prohibit, regulate or materially inhibit the Capital Raising, capital markets or stock markets;
- if any of the obligations of the relevant parties under any of the contracts that are material to the business of Palla Pharma are not capable of being performed in accordance with their terms or if all or any part of any of such contract is amended without the consent of the Underwriter, is terminated, breached, ceases to have effect or becomes void, voidable, illegal or unenforceable;
- Palla Pharma contravenes the Corporations Act, its Constitution, any of the ASX Listing Rules, any other applicable law or regulation or order or request made by or on behalf of ASIC, ASX or any government agency;
- any aspect of the Capital Raising does not comply with the Corporations Act or ASX Listing Rules or any other applicable laws, or the waivers and/or relief granted by ASX and ASIC (as applicable);
- Palla Pharma is prevented from allotting and issuing the New Shares under the ASX Listing Rules or any applicable law;
- trading of all securities quoted on ASX, LSE or NYSE is suspended or limited in a material respect;
- a general moratorium on commercial banking activities in, or any adverse change or disruption to the existing financial markets of Australia, Hong Kong, the United States of America, the European Union or the United Kingdom is declared by the relevant central banking authority;
- any adverse change or disruption to the existing political or economic conditions of Australia, the European Union, the United States of America, the United Kingdom or the international financial markets or any change in national or international political, financial or economic conditions;
- hostilities not presently existing arise involving any one or more of Australia, New Zealand, the United States of America, Japan, South Korea, North Korea, any member state of the European Union, Israel, the People's Republic of China, Russia, Syria or a major terrorist act is perpetrated anywhere in the world; or
- a pandemic, epidemic or large-scale outbreak of a disease occurs in any one or more of Australia, New Zealand, Hong Kong or Singapore or a major escalation in a pandemic, epidemic or large-scale outbreak in those jurisdictions.

The ability of the Underwriter to terminate the Underwriting Agreement in respect of some events will depend upon: whether the event has, or is likely to have (individually or in the aggregate), a material adverse effect on the success, timing, marketing or settlement of

the Capital Raising, or the business, financial position or prospects of Palla Pharma or whether it may give rise to a liability of the Underwriter.

The Underwriter will be paid a 3.00% underwriting fee and a 1.00% management fee on the proceeds of the Capital Raising for providing these services and will be reimbursed for certain expenses.

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

5.17 Sub-underwriting of Retail Entitlement Offer

Two major shareholders of Palla Pharma, Washington H. Soul Pattinson and Company Limited (**SOL**) and Thorney Opportunities Ltd (**TOP**) have agreed to partially sub-underwrite Retail Entitlement Offer. SOL and TOP also took up their full entitlements under the Institutional Entitlement Offer

The maximum potential increase in voting power of SOL and TOP as a result of this sub-underwriting is set out below.

Name	Sub-underwritten Shares	Sub-underwritten value	Current voting power	Voting power post offer*
SOL	3,121,515	\$1.56 million	19.88%	20.99%
TOP	6,434,400	\$3.22 million	18.90%	21.94%

*This figure assumes that all New Shares are issued pursuant to the Entitlement Offer, and (ii) the Sub-underwriters are obliged to subscribe for all of their respective sub-underwritten New Shares pursuant to their sub-underwriting agreement.

5.18 Governing Law

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

5.19 Disclaimer of representations

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

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

5.20 Withdrawal of the Retail Entitlement Offer

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

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

5.21 Privacy

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

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

6 Glossary

Applicant	means a person who has completed a valid Application.
Application	means the payment of the relevant Application Money via BPAY® in accordance with the instructions on the Entitlement and Acceptance Form or the submission of a completed Entitlement and Acceptance Form accompanied by the relevant Application Money.
Application Money	means the total amount payable for the New Shares applied for via BPAY® or a completed Entitlement and Acceptance Form.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ABN 98 009 624 691, or the financial market operated by it, as the context requires.
Capital Raising	means the Institutional Placement and the Entitlement Offer.
Closing Date	5.00pm (Melbourne time) on Monday, 22 March 2021.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Eligible Institutional Shareholder	<p>means in accordance with sections 708(8) and 708(11) of the Corporations Act respectively, a sophisticated or professional Shareholder on the Record Date who:</p> <ul style="list-style-type: none">○ is not an Ineligible Institutional Shareholder;○ has successfully received an invitation from the Underwriter to participate in the Institutional Offer (either directly or through a nominee); and○ who has a registered address on the Palla Pharma share register in Australia, New Zealand, Singapore, Hong Kong, the Netherlands or the United Kingdom.
Eligible Retail Shareholder	<p>means a person who:</p> <ul style="list-style-type: none">○ is registered as a holder of Shares as at the Record Date;○ has a registered address on the Palla Pharma share register in Australia or New Zealand;○ is not in the United States and is not acting for the account or benefit of a person in the United States;○ was not invited to participate (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and was not treated as an ineligible institutional shareholder under the Institutional Entitlement Offer; and○ is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.
Entitlement	means the right to apply for 2 New Shares for every 9 Existing Shares held as at the Record Date, at the Offer Price of \$0.50 per New Share, pursuant to the Entitlement Offer.
Entitlement and Acceptance Form	<p>means the entitlement and acceptance form which can be accessed and downloaded at the Entitlement Offer website: https://events.miraqle.com/PAL-offer.</p>

Entitlement Offer	means the Institutional Entitlement Offer and the Retail Entitlement Offer.
Existing Shares	means the Shares already on issue on the Record Date.
Ineligible Institutional Shareholder	means a Shareholder who is an institutional Shareholder on the Record Date with a registered address outside Australia, New Zealand, Singapore, Hong Kong, the Netherlands, the United Kingdom or any other jurisdiction that Palla Pharma and the Underwriter agree to whom Listing Rule 7.7.1(a) applies.
Ineligible Retail Shareholder	means a Shareholder (or beneficial owner of Shares) other than an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder on the Record Date with a registered address outside Australia and New Zealand or any other jurisdiction that Palla Pharma and the Underwriter agree to whom Listing Rule 7.7.1(a) applies.
Information Booklet	means this information booklet.
Institutional Entitlement Offer	means the accelerated non-renounceable pro rata entitlement offer to Eligible Institutional Shareholders.
Institutional Offer	means the Institutional Entitlement Offer and the Institutional Placement
Institutional Placement	means the placement of 8 million New Shares to sophisticated and institutional investors to raise \$4 million, as announced on Friday, 26 February 2021.
Investor Presentation	means the presentation to investors released to ASX on Friday, 26 February 2021, included in Section 3 of this Information Booklet.
Listing Rules	means the listing rules of ASX.
New Shares	means the Shares to be issued and allotted under the Entitlement Offer, including (if the context requires) the shortfall from the Entitlement Offer issued under the Top Up Facility or to the Underwriter or any sub-underwriter.
Offer Price	means \$0.50 per New Share.
Record Date	means 7.00pm (Melbourne time) on Tuesday, 2 March 2021.
Retail Entitlement Offer	means the non-renounceable pro rata entitlement offer to Eligible Retail Shareholders to apply for 2 New Shares for every 9 Existing Shares held as at the Record Date at the Offer Price of \$0.50 per New Share.
Retail Entitlement Offer Period	means the period that the Retail Entitlement Offer is open.
Share	means a fully paid ordinary share in the capital of Palla Pharma.
Share Registry	means Link Market Services Limited.
Shareholder	means a registered holder of Shares.
Theoretical Ex-Rights Price	means the theoretical ex-rights price calculated by reference to Palla Pharma's closing price on Thursday, 25 February 2021 of \$0.685 per Share, being the last trading day prior to the announcement of the Entitlement Offer.

Top Up Facility

means the top up facility under which Eligible Retail Shareholders may apply for New Shares in excess of their Entitlement described in Section 2.9.

Palla Pharma

means Palla Pharma Limited ACN 107 872 453.

Underwriter

means Morgans Corporate Limited ABN 32 010 539 607.

Underwriting Agreement

means the underwriting agreement between Palla Pharma and the Underwriter dated 26 February 2021.

CORPORATE DIRECTORY

Palla Pharma Limited **ACN 107 872 453**

Registered Office

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

Website

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

Investor Information Line

1300 554 474

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

Palla Pharma Share Registry

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

Legal adviser

Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne VIC 3000
www.abl.com.au

Lead Manager and Underwriter to the Entitlement Offer

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