

KordaMentha

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16 February 2022

Update to shareholders

**Palla Pharma Limited (Administrators Appointed) (ASX:PAL)
ACN 107 872 453 ('the Company')**

We refer to the appointment of Craig Shepard and Bryan Webster as Administrators of the Company on 17 December 2021 pursuant to Section 436A of the *Corporations Act 2001* (Cth) ('the Act').

Sale process update

As advised in our update to shareholders dated 13 January 2022, the Administrators commenced a sale process for the Company including its shareholding in its 100% owned subsidiaries, Palla Pharma Norway AS and Palla Pharma UK.

Following an Expressions of Interest campaign and Phase One due diligence, non-binding indicative offers were received on 31 January 2022 and two parties with interest in buying the Company and/or its subsidiaries as a going concern proceeded into Phase Two of due diligence. The indicative offers provided preferable outcomes for stakeholders and had the potential to preserve employment with transfer of entitlements.

Following further due diligence, both parties advised on 14 February 2022 that they were unable to provide a bid for the business on a going concern basis. The feedback provided by all parties throughout the process was consistent – due to high operating costs, the current depressed global opioid market price, and ongoing pandemic causing delays in elective surgery, an acquirer would struggle to operate the business on a going concern basis.

Australian wind-down

With no viable option to continue as a going concern resulting from the sales process, the Administrators have made the decision to immediately commence the wind-down of the Australian operations and cessation of trading. We expect the wind-down of the Coolaroo site to be completed over the next two months.

During this time, the Administrators will be exploring options for the sale of Australian based plant and equipment, inventory, intellectual property, and the marketing authorisations granted to the UK subsidiary.

We take this opportunity to thank all employees and other stakeholders for their assistance throughout the Administration to date.

Listing Rules waiver application update

The Administrators lodged an application with the ASX seeking waivers from ASX Listing Rules 4.5.1, 4.7.1, 4.3B, 4.7B and 4.7C. The purpose of the waiver application was to align the Company's reporting

requirements under the Act, as modified by *ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251* ('the Instrument'), and the ASX Listing Rules.

The ASX have advised that the waivers were not granted on the basis the due dates for the various financial reports / quarterly reports per the ASX Listing Rules will fall within the period in which the Company's securities are suspended. As PAL's securities are already suspended, ASX's view is that "the Company will not be practically disadvantaged by the waiver not being granted".

The Administrators continue to rely on the relief set out in the Instrument as detailed in the ASX announcement dated 27 January 2022. This relief is a deferral of the Company's financial reporting obligations for a minimum period of six months from the date of appointment of Administrators (being 17 June 2022) and up to a maximum of 24 months from the date of appointment.

If shareholders have any queries, please contact the Administrators on the below details.

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