PALLA PHARMA

ASX ANNOUNCEMENT

Friday 17 July 2020

PALLA PHARMA SIGNS FINISHED DOSE FORMULATION (FDF) CONTRACT EXTENSION AND CONFIRMS FIRST MARKETING AUTHORISATION (MA) MANUFACTURING VALIDATION ON TRACK

- **$A8 million contract extension to supply Codeine Phosphate tablets in 2020/21 into the UK market**
- **Norway Facility MA manufacturing site validation for Palla Pharma branded caplet 30/500 Co-codamol on track for planned production late Calendar 2020**

FDF CONTRACT EXTENSION

Palla Pharma Limited (ASX:PAL) has signed an $A8 million contract extension to supply a total of 270 million Codeine Phosphate tablets across the 2020 and 2021 Calendar Years to a current major UK-based multi-national customer for sale in the UK market.

The contract extension equates to a minimum of eight tonnes of Codeine Phosphate equivalent and represents approximately four months of PAL's annual FDF packaging capacity.

This contract extension, coupled with PAL's validation of its own Marketing Authorisations later in Calendar 2020, will see PAL fully utilising its main packaging line capability in Calendar 2021 with a targeted supply of 24 tonnes of Codeine Phosphate in tableted form. In Calendar 2021, PAL plans to expand its packaging capacity to more than 70 tonnes of Codeine Phosphate with an investment of approximately $A4 million.

Based on realised sales price assumptions, each tonne of Codeine Phosphate tableted under the MAs will generate revenue in excess of $A 1 million compared to $A 0.5 million when sold as an API (Active Pharmaceutical Ingredient).

Palla Pharma Chief Executive Officer, Jarrod Ritchie, said: "this contract shows the strength of our 'volume to value' strategy. As a global pharmaceutical company with a low-cost, high-quality, vertically integrated production capability in the industry, we have multiple channels to market for our products and are able to diversify our revenue streams."

VALIDATION OF PALLA PHARMA'S OWN 30/500 CO-CODAMOL CAPLET MA ON TRACK - TARGETING SALES TO COMMENCE IN Q4 2020

The Norway production facility has commenced the process to be listed as an approved manufacturing site for the recently acquired Marketing Authorisations ("MAs"). The first MA to be produced being a 30/500 Co-Codamol caplet, with other MAs following.

The first step of the Validation Process has been to replicate the original documented approval process and start tableting and packaging, to be followed by stability testing, with results and documentation submitted to the Medicines & Healthcare products Regulatory Agency (MHRA) for approval.

The first production trial run of 30/500 Co-Codamol caplets have been manufactured and are about to be packaged. PAL expects stability testing to start in early August and to make the approval submission to the MHRA in early September. PAL remains on track with trials and

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

has satisfactorily met both dissolution and assay requirements for the initial MA for which it is seeking approval.

Due to the loss of MHRA licence by a major UK FDF producer and a world shortage of paracetamol supply, the price for generic co-codamol 30mg CPO /500mg Paracetamol tablets in the UK market has significantly increased over the last six months to circa £2.40 per 100 caplet pack compared to historical pricing of circa £1.90 per 100 caplet pack.

Mr Ritchie remarked: "once validation of the 30/500mg co-codamol caplets is completed, we expect to be able to realise this attractive market opportunity and for it to be a significant positive driver of increased earnings in Q4 and into 2021."

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

For more information please contact:

Jarrod Ritchie
Chief Executive Officer
Palla Pharma Limited
+61 3 9301 0800

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

Brendan Middleton
Chief Financial Officer
Palla Pharma Limited
+61 3 9301 0800

Tristan Everett
Media Enquiries
Market Eye
+61 403 789 096 or media@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 novel 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.