

9 June 2022

Update to shareholders

Palla Pharma Limited (In Liquidation) (ASX:PAL)
ACN 107 872 453 ('the Company')

We refer to the appointment of Craig Shepard and Bryan Webster as Liquidators of the Company on 9 March 2022 pursuant to Section 499 of the Corporations Act 2001.

Report to creditors

The Liquidators of the Company today released their Statutory report to creditors which provides an update on the progress of the liquidation since the Administrators Report dated 2 March 2022. The Statutory report addresses the key actions undertaken in the Liquidation to date and an update on the likelihood of further dividends being paid in the liquidation.

The Liquidators expect a distribution of 100 cents in the dollar to priority employee creditors who have not yet been paid, and a distribution of circa. 21 cents in the dollar to unsecured creditors. The quantum and timing of any distribution is heavily dependent on the realisation of remaining assets in Australia, the clean-up and exit of the Company's site in Coolaroo in accordance with strict regulatory requirements, and any other issues that may arise.

A copy of the report to creditors is available for download from KordaMentha's website:
<https://www.kordamentha.com/creditors/palla-pharma-limited>.

In line with our Administrators Report, we advise that we do not expect there will be sufficient recoveries available in the liquidation to provide a return to shareholders of the Company.

Declaration of worthless shares

The Liquidators of Palla Pharma Limited (In Liquidation) declare there are reasonable grounds to believe shareholders will not receive a distribution. Accordingly, a Declaration of Worthless Shares has been made pursuant to Section 104-145 of the Income Tax Assessment Act 1997 ('the Declaration')

A copy of the Declaration may be obtained from the 'Shareholder and ASX Announcements' section of the Company's creditor page on KordaMentha's website:
<https://www.kordamentha.com/creditors/palla-pharma-limited>.

Shareholders should seek independent tax and legal advice regarding their individual circumstances in relation to the Declaration.

Member queries

The Company continues to have arrangements in place to respond, free of charge, to members' and creditors' queries in relation to the consequences and progress of the external administration. Relevant information will also be posted on KordaMentha's website in the Creditors Information section.

The contact details of the Liquidators are:

KordaMentha

Rialto South Tower

Level 31, 525 Collins Street

Melbourne VIC 3000

Tel: +61 3 8623 3333

Fax: (03) 8623 3399

Email: pallapharmashareholders@kordamentha.com

Declaration by Liquidator about shares

Palla Pharma Limited (In Liquidation) ACN 107 872 453 ('the Company')

Under Section 104-145 of the Income Tax Assessment Act 1997, the Liquidators of the Company declare that they have reasonable grounds to believe that there is no likelihood that the following shareholders (or class of shareholders) in the Company will receive any distribution for their shares.

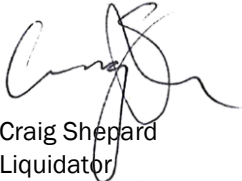
1. Ordinary shares

As a consequence, shareholders who acquired the shares (or class of shares) listed above in the Company on or after 20 September 1985 may choose to make a capital loss in the income year that includes 9 June 2022 as a result of CGT event G3 happening to their shares. The capital loss is equal to the reduced cost base of the shares at the time of the declaration.

Shareholders should seek their own tax advice in relation to the above statement.

Note: a capital loss is not available for certain shares that are revenue assets or that were acquired under an employee share scheme. Shareholders who have acquired shares in this way should seek their own tax advice.

Dated: 9 June 2022

A handwritten signature in black ink, appearing to read 'Craig Shepard', written over a printed name and title.

Craig Shepard
Liquidator