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TPI Enterprises Ltd

2016 Full Year Results





2016: A YEAR OF SIGNIFICANT PROGRESS

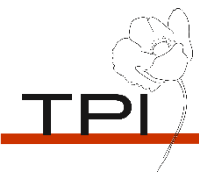
TPI offers one of the few opportunities globally to invest directly in the licit narcotics sector

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- 1. TPE ON A 5 YEAR JOURNEY TO GLOBAL LEADERSHIP IN THE PRODUCTION OF LICIT NARCOTIC RAW MATERIALS (NRM´S) BASED ON TECHNOLOGY DRIVEN POSITION AS THE GLOBAL LOW COST PRODUCER, TARGETING:**
 1. 100 tonnes of NRM by 2019 (8% market share)
 2. 200 tonnes of NRM by 2021 (13% market share)

- 2. SIGNIFICANT PROGRESS IN THREE KEY AREAS:**
 1. NRM market development
 2. Manufacturing process cost improvements
 3. Raw material supply chain

- 3. FINANCIAL RESULTS MIRROR STRATEGIC AND OPERATIONALSAL PROGRESS:**
 1. 2016 Production up 14 fold compared to 2015, 90% in 2nd half
 2. Revenues up by 186% to \$10.5 million
 3. Gross profit up 300% to \$3.6 million
 4. Operational losses down 46% to \$14.0 million





MANUFACTURING PROCESS COSTS

TPI is the lowest cost producer globally.

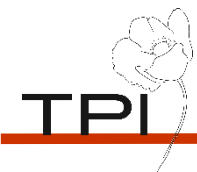
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- 1. CONTINUED IMPROVEMENT IN MANUFACTURING PROCESS EFFICIENCY DELIVERED SIGNIFICANT COST SAVINGS**
 1. Reduction in 2017 budgeted \$/kg by 15%
 2. Overall process efficiency increased by 5% in 2016 to 91%

- 2. CONTINUOUS “COST OUT” CULTURE REFLECTED IN 2017 PLANNED COST SAVINGS INITIATIVES**
 1. Manufacturing support services reduction by 22%
 2. Administration services costs reduction by 19%
 3. Agricultural services costs reduction by 26%
 4. Total reduction targeted in fixed overheads in 2017 of approx. 15%

- 3. MOVEMENT TO HIGH CODEINE POPPY STRAW WILL ADD GREATER PRODUCTION EFFICIENCIES-COSTS AND TIME**
 1. Greater factory capacity with higher concentration alkaloid, large commercial growing will occur in 2017.

- 4. PATENTED HARVESTER AND NEW TOTAL CAPTURE STRAW TRAILER TECHNOLOGY**
 1. 2nd version of new harvesting technology has been constructed and will be used to harvest 2017 European crops, significantly increases throughput as rate limiting step in process is the amount of straw extracted per unit time.
 2. New trailers with complete dust collection trialled and confirmed a success, estimate a 5% increase in crop collected per hectare.





NRM MARKET DEVELOPMENT

200 tonnes by 2021 through market expansion

- 1. TWO LARGEST NRM PRODUCERS (Johnson & Johnson and GlaxoSmithKline) sold their NRM operations to SK Capital and Sun Pharma respectively**
 1. New owners are focussing on reducing inventory.

- 2. TPE'S POSITION AS GLOBAL LOW COST PRODUCER CONFIRMED BY RECENT REQUESTS TO EXPLORE TOLL MANUFACTURING FOR FULLY INTEGRATED FINISHED DOSAGE COMPETITORS**
 1. Expect to start toll production in 2017 for historical competitors.
 2. Expect to expand this to include more in 2018.

- 3. TPE SET TO EXPLOIT ITS LOW COST NRM PRODUCER POSITION TO BROADEN CUSTOMER DEMAND BASE:**
 1. 2017 will see supply of first validation batches of Codeine Phosphate in UK market through Sterling Pharma.
 2. Expansion of Thebaine and Oripavine supply into the US.
 3. Capability to tender for Indian tender.

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SUPPLY CHAIN EXPANSION

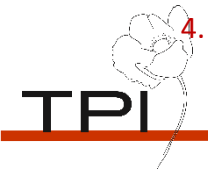
Increase in certainty of straw supply with lower Agricultural investment

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- 1. RELOCATION FROM TASMANIA TO VICTORIA FOR MANUFACTURING SITE VINDICATED BY SUCCESSFUL VICTORIAN CROP AND FURTHER EXPANSION INTO AUSTRALIAN GROWING AREAS**
 1. 90% of Victorian growers increased kg/Ha and \$/Ha for 2017 compared to 2016.
 2. NSW and SA will commence growing in 2017 for 2018 harvest, increasing available irrigated land by 20 fold.

- 2. RECEIPT OF ALL NECESSARY PERMITS AND LICENCES TO IMPORT FROM HUNGARY NOW ACHIEVED, FURTHER DIVERSIFYING CRUCIAL INPUT SUPPLY SOURCES**
 1. Bicon listing achieved in 2016.
 2. Permits from Department of Agriculture and Water received.
 3. Import permits and licences from Department of Health received.

- 3. COMBINATION OF MULTIPLE AUSTRALIAN STATE PRODUCTION AND NORTHERN HEMISPHERE SOURCING HAS MULTIPLE BENEFITS FOR TPE**
 1. Availability of year round supply at market based prices.
 2. Less need to be directly involved in growing with its attendant risks.
 3. Greatly reduced working capital needs as straw inventory is more evenly spread throughout the year.
 4. Expect Australian 16/17 harvest and importation to provide 1.5 times coverage of targeted sales/production for 2017

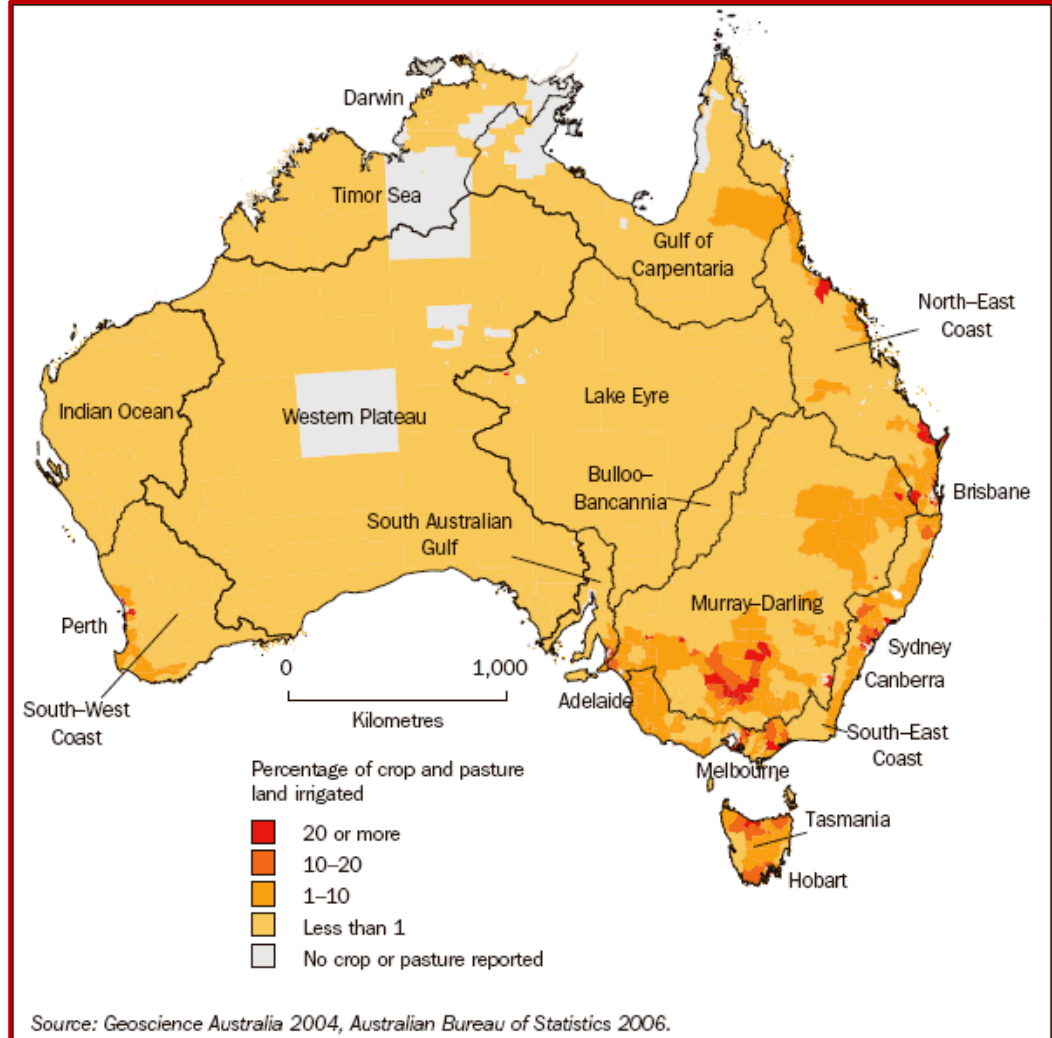




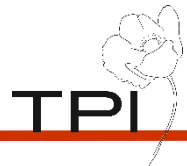
AUSTRALIAN IRRIGATED CROPPING AREAS

Growing Capability in 5 of the 7 States/Territories

State	Irrigated Ha's	Approved for Growing
NSW	785,000	✓
VIC	558,000	✓
QLD	492,000	X
SA	165,000	✓
WA	84,000	X
TAS	50,000	✓
NT	6,000	✓
Total	2,150,000	



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2016 FULL YEAR RESULTS

Key Points

1. Total Revenue of \$10.6 million for 2016

- a. Seed and NRM sales of \$7.6 million.
- b. Grant monies of \$2.9 million.

2. Total Expenses reduced by \$8 million

- a. \$7 million reduction in impairments.

3. Total operating loss of \$11.2 million

- a. Total reduction of \$14 million in operating losses YoY.

During 2016 TPE successfully renegotiated its main debt facility with WHSP and received \$4 million of new equity through a placement to Colinton Investments.

	Consolidated 2016 \$	Consolidated 2015 \$
Revenue		
Sale of goods	7,614,801	2,064,578
Other income	2,941,648	1,614,485
	<u>10,556,449</u>	<u>3,679,063</u>
Expenses		
Production expenses	(1,265,537)	(508,631)
Changes in inventory of finished goods	(5,674,184)	(1,074,366)
Impairment of inventory to net realisable value	(469,437)	(951,048)
Impairment of other assets	-	(7,127,013)
Employee benefits expenses	(5,019,261)	(5,492,256)
Depreciation and amortisation expense	(2,858,984)	(3,556,296)
Legal and listing expenses	(338,281)	(1,029,163)
Market development expenses	(847,873)	(1,239,859)
Relocation expenses	(28,673)	(1,662,256)
Occupancy expenses	(1,676,649)	(1,709,844)
Research & Agri trial expenses	(1,554,595)	(2,283,081)
Other expenses	(2,066,141)	(2,165,826)
	<u>(21,799,615)</u>	<u>(28,799,639)</u>
Loss from operating activities	(11,243,166)	(25,120,576)
Finance income	23,812	415,082
Finance expenses	(2,801,481)	(1,194,344)
Net finance expenses	(2,777,669)	(779,262)
Loss before tax	(14,020,835)	(25,899,838)

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2017 PRIORITIES

On track for 200 tonne by 2021

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1. GROW NRM PRODUCTION/SALES TO 55+ TONNES in 2017

1. Expand base business in key markets.
2. Start production of Codeine from high Codeine Poppy Straw.
3. Expect tolling to be part of the supply volume (Subject to licences etc).

2. CONTINUE TO DRIVE PRODUCTION PROCESS EFFICIENCIES

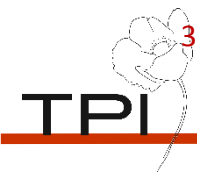
1. Aim of decreasing \$/kg of NRM production by a further 5%.
2. Leverage increased volumes at plant.
3. Sourcing benefits from increased volumes.

3. OPTIMISE POPPY STRAW SOURCING PROGRAM

1. Balance domestic and international grower sources based on ideal quality, price and inventory levels.
2. Introduce new high Codeine, Oripavine and Thebaine varieties into Poppy Straw supply program.
3. Expand harvesting and transport capability to drive operational efficiencies.

4. EXPEDITE TIME TO OPERATING CASHFLOW POSITIVE OPERATIONS

1. Gross margin contribution grows quickly as volume ramps up.
2. Manage working capital requirements which increases with ramp up of volumes.
3. Goal of operating cash flow (including WC) positive by 2019.





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