31 August 2020

Results for announcement to the market

APPENDIX 4E

Name of Company: Little Green Pharma Ltd (ACN 615 586 215)

Report for the year ended 30 June 2020

This statement includes the consolidated results of Little Green Pharma Ltd for the full year ended 30 June 2020 compared with the full year ended 30 June 2019.

This page and the following pages comprise the year end information given to the ASX under Listing Rule 4.3A.

The results are prepared in accordance with Australian Accounting Standards and are presented in Australian dollars.

	Movement	%		$
Revenue from ordinary activities	**increase**	**786.9%**	**to**	**2,204,021**
Loss from ordinary activities	increase	68.8%	**to**	(9,315,435)

Revenue from ordinary activities of $2,204,021 results from the sale of medicinal cannabis oil products. In addition, the Company received research and development incentive grants of $600,258, COVID19 Job Keeper grants of $120,000 and other government grants of $200,000. The net loss from ordinary activities increased from $5,518,129 in the prior period to a net loss of $9,315,435.

Dividends:

No dividends are proposed, and no dividends were declared or paid during the current or prior year.

Net Tangible Asset Backing:

	June 2020	June 2019
Net tangible assets per ordinary security	$0.087	($0.021)

Independent Auditor's Report:

The annual financial report contains an Independent Auditor's Audit Report. This report is not subject to any modification or emphasis of matter.

This statement was approved by the Board of Directors

Alistair Warren
Company Secretary

LITTLE GREEN PHARMA

ABN 44 615 586 215

ANNUAL REPORT

YEAR ENDED 30 JUNE 2020

little green pharma

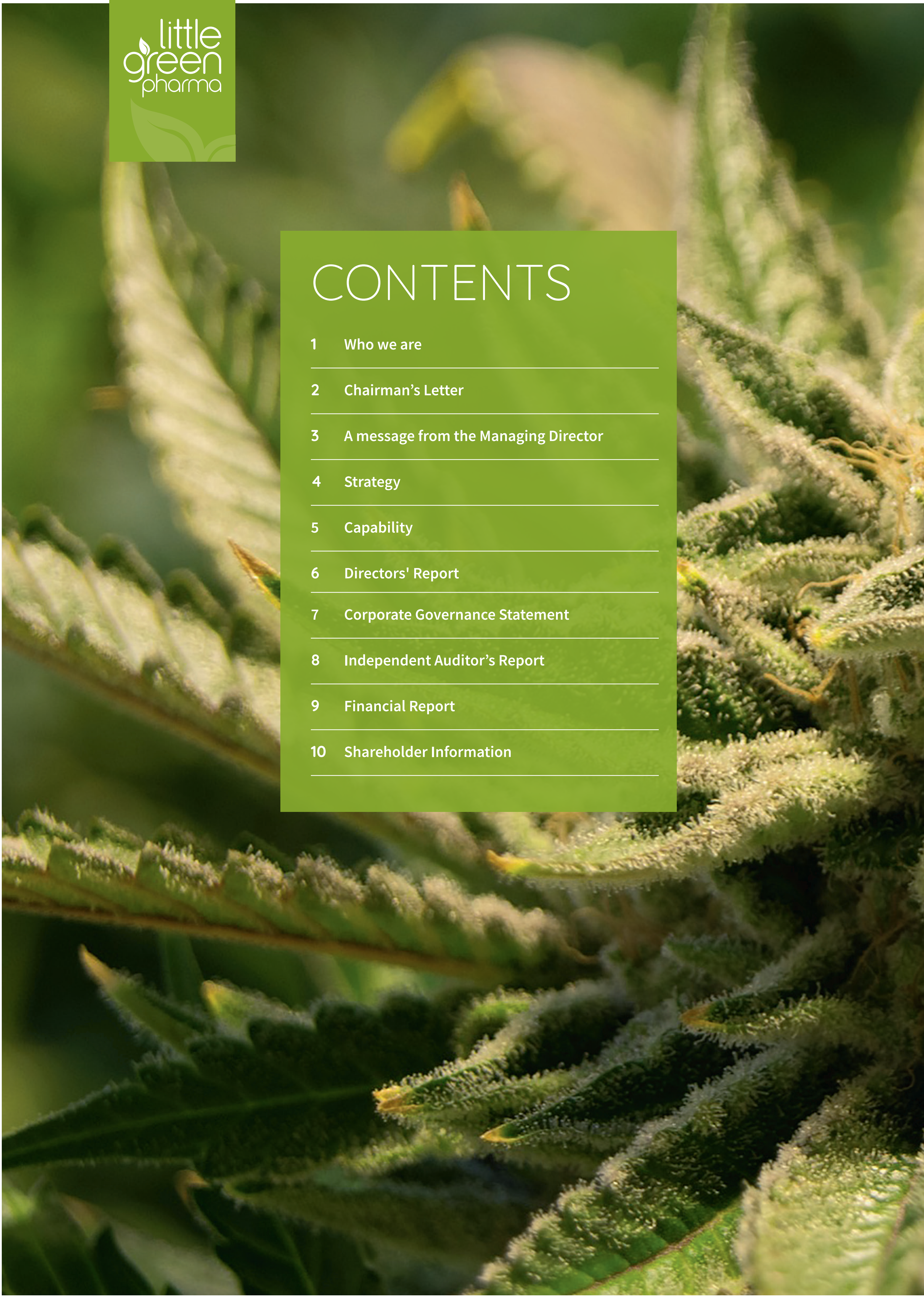
little green pharma

We believe it's necessary to produce high-quality cannabis medicines now and develop meaningful innovative delivery systems for the future to improve patient outcomes and solve real patient problems.

We are passionate about transforming lives. This drives our desire to grow and produce medicines that are safe, effective and affordable. It's the heart of everything we do and defines our culture. This is our purpose — to reimagine cannabis medicine and do extraordinary things for our patients.

We are proud of what we've done and where we're going.

We are Little Green Pharma



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CORPORATE DIRECTORY

Directors
Mr Michael Lynch-Bell
Dr Neale Fong
Ms Fleta Solomon
Mr Angus Caithness

Company Secretary
Mr Alistair Warren

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Share Registry
Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth, Western Australia 6000
Website: www.investorcentre.com/contact

Stock Exchange
Australian Securities Exchange Ltd
Central Park, 152-158 St Georges Terrace
Perth, Western Australia 6000
ASX Code: LGP

Notice of AGM
The Annual General Meeting of Little Green Pharma Ltd will be held at 11:00am on 26 November 2020. This meeting will be held at the Company's Registered Office unless otherwise advised.

1

WHO WE ARE

We are Little Green Pharma Ltd (Little Green Pharma, LGP or the Company): a proven, vertically-integrated Australian medicinal cannabis business with operations extending from cultivation and production through to manufacturing and distribution.

We are a company of firsts: we were the first company to produce locally grown cannabis medicines for patients in Australia, and the first company to export Australian grown and manufactured medicinal cannabis medicine overseas.

Today, our focus is on supplying an expanding range of medical-grade cannabis products and improving patient access to medicinal cannabis around the world. To achieve this, we are continually growing the scale and range of our medicinal cannabis product offering while promoting educational outreach programs for healthcare practitioners and engaging in market-leading R&D to develop innovative new delivery formulations.

For more information about Little Green Pharma visit: www.littlegreenpharma.com

When Little Green Pharma announced the first export of Australian medicinal cannabis products for patients, Australia's Minister for Health, the Honourable Greg Hunt said:

"This first export of Australian-produced medicinal cannabis oils to the UK marks an important step in fulfilling Australia's vision of building a global medicinal cannabis industry capable of supplying quality medicinal cannabis products to both Australian and overseas patients."

WE ARE A COMPANY OF FIRSTS: 1ST

To produce locally grown cannabis medicines for patients in Australia

To export Australian medicinal cannabis medicine overseas

2

CHAIRMAN'S LETTER

Dear Shareholders,

The 2019-20 Financial Year has been a transformational year for Little Green Pharma.

During this period, the Company successfully listed on the Australian Securities Exchange, witnessed significant product sales, revenue and patient growth, and established key distribution channels into offshore markets.

In Australia, our unit sales increased from 1,675 in FY2018-19, to over 14,850 as at 30 June 2020. This resulted in revenue of $2.2 million, a 787% increase from for the previous financial year. Since the release of our first medicinal cannabis products in August 2018, more than 4,500 patients have now been prescribed Little Green Pharma medicines.

The grant of our Medicinal Cannabis Cultivation and Production Permit in July 2020 by the Office of Drug Control (ODC) for our expanded cultivation facility was a key milestone for the Company, providing a firm foundation for the delivery of our commercial strategy going forward. This increased cultivation capacity enables the production of sufficient cannabis flower to manufacture up to 110,000 bottles of cannabis oil annually, giving us and our distributors greater security of supply as we make headway exporting our medicine into key global markets.

In addition, we remain on track to commission our manufacturing facility towards the end of Q3 CY2020 which, once TGA licensed, will give us additional capability to produce GMP flower products and enable lower-cost, higher-volume medicinal cannabis API production for our medicinal cannabis oil range.

Despite an increase in domestic sales and continued, cultivation and manufacturing operations, Covid-19 continues to impact the business across several areas. The Company has worked to secure supply chains of critical materials and consumables to ensure continuation of product supply, as well as implementing cost reduction strategies across its entire business to mitigate the impact of Covid-19.

Finally, we continued to work hard to establish international supply pathways overseas, including into Germany and the UK.

In June 2020, we shipped 1,000+ units to LYPHE Group Limited under a consignment sales agreement, our first strategic commercial quantity shipment of medicinal cannabis oil to the UK.

For the German market, we have now manufactured CC Pharma's order of 2,400 bottles of medicinal cannabis oil, to be shipped pending testing and receipt of an import permit from German authorities.

Looking ahead, the Company remains buoyant and optimistic, as it continues to rapidly grow its share of the Australian medicinal cannabis market while driving its market penetration into Europe and other high-volume, high-margin offshore markets.

On behalf of the Board and Company, I would like to thank you – our shareholders – for your ongoing support of the Company.

Your sincerely

Michael Lynch-Bell
Independent Non-Executive Chair

3

A MESSAGE FROM THE MANAGING DIRECTOR

From the very beginning, Little Green Pharma has dared to reimagine cannabis as a medicine and do extraordinary things for patients across the globe.

Recognising regulatory complexity and high product costs were significant barriers to acceptance, we wanted to do everything we could to improve patient access and transform the lives of people across the globe.

This has required hard work, dedication and passion to achieve. It has meant active participation in the development of a global industry with little precedent, one full of opportunities and challenges at every stage. It has required vision, determination, exploration, and discipline. And it has required us to develop a business where our work is intrinsically rewarding, and our team motivated by successful practitioner and patient outcomes.

However, no Company can succeed without the support of its investors and other stakeholders. From the start, the Company developed a range of capabilities across the supply chain, carefully avoiding over-capitalisation to preserve capital, while identifying and enabling the highest-margin activities for its business. While doing so, it carefully recruited a team of extraordinary people with the determination and energy to problem solve and find solutions for the most challenging problems.

Today, the Company has the people and tools it needs to deliver on its vision. Armed with hard-won expertise and world-class facilities, it stands poised to advance the Australian cannabis industry and become a truly global player.

I remain incredibly proud of our achievements and am pleased to present our Annual Report for 2020.

Yours in Health,

Fleta Solomon
Managing Director

+787%
Revenue growth in 2020 compared to 2019

+29%
Increase in gross margin % in 2020 compared to 2019

14,850+
Bottles sold in 2020

+479%
Increase in patient numbers in 2020 compared to 2019

315+
Doctors in Australia prescribing LGP products

31+
Medical conditions approved for treatment with LGP products

2
New medicinal cannabis oil products launched

4

STRATEGY

From the start, Little Green Pharma has utilised a lean business model that combines fiscal discipline with careful capitalisation solely for proven supply channels. This strategy has resulted in impressive domestic sales while prudently preserving cash.

TODAY, THE COMPANY'S GROWTH STRATEGY COMPRISES THREE KEY PILLARS:

1

Australian sales

Increasing domestic sales demonstrate market validity, generate immediate cash flow and provide a platform for the Company's international growth.

2

International sales growth

Generation of commercial sales volumes in overseas markets is the Company's primary pathway to substantial, longer-term profits.

3

Product innovation

The Company remains focused on producing high-quality market-meeting cannabis medicines now while developing unique drug delivery systems for patients in the future.


little green pharma
LGP CLASSIC 10:10
Each 1mL contains tetrahydrocannabinol (THC) 10mg and cannabidiol (CBD) 10mg
50mL

5

CAPABILITY

Operating across the entire supply chain enables Little Green Pharma to identify higher-margin opportunities and create value for shareholders while reducing costs for patients. LGP's supply chain capabilities support the Company's strategy of achieving high-volume sales in overseas markets as well as its goal of developing unique, high-margin drug delivery systems.

Operating across the entire supply chain enables LGP to identify opportunities and create value.

5

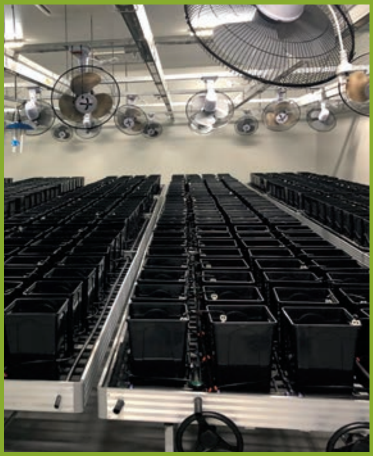
CULTIVATION

During FY2020, LGP completed its cultivation facility expansion project on time and on budget, increasing its potential annual production capacity from 15,000 (50ml) bottles up to a quantity of flower sufficient to produce approximately 110,000 (50ml) bottles of medicinal cannabis oil. The company also has an additional 3,000sqm of land area available which is sufficient to double production if necessary.

The Company's world-class facility complies with the strictest regulatory requirements globally and was completed on time and on budget.

In March 2020, the Company was granted a variation to its medicinal cannabis licence to cover the expanded facility, and in July 2020 was awarded a variation to its ODC permit allowing the Company to begin planting in the expanded facility.

Throughout the reporting period, the Company trialled multiple genetic strains with the objective of maximising yields, optimising growing techniques, investigating cannabinoid production, and creating a platform for creating high-quality, consistent product. To date, each crop has successfully passed all regulatory testing requirements with no crop failures. In addition to its internal cultivation capacity, the Company has also developed and established various supply lines for third-party raw cannabis materials, providing it with supplementary volume for production.



Automated technologies

Optimal grow environment

Consistent quality and process

PRODUCTION

At the end of the period, LGP was completing construction of its in-house manufacturing facility on time and on budget. The facility has been designed and built to pharmaceutical-production specifications for post-harvest flower drying and cannabis extraction.

During the same period, LGP was granted its inaugural ODC Manufacturing Licence and ODC Manufacturing Permit to undertake these activities.

The manufacturing facility is capable of processing and drying cannabis flower to GMP grade, allowing it to be used for finished medicinal cannabis flower products. In addition, it enables the production of highly concentrated extracts at a lower cost to drive further margin expansion. These extracts will be used as starting materials for manufacture into finished oils by LGP's exclusive pharmaceutical contract manufacturer.

Upon completion, and pending Therapeutic Goods Administration (TGA) GMP certification, the new manufacturing facility will allow LGP to produce dried flower as a finished product. This project is tracking on time and on budget, with commissioning expected to occur towards the end of Q3 CY2020.

Maximising yield

Quality product

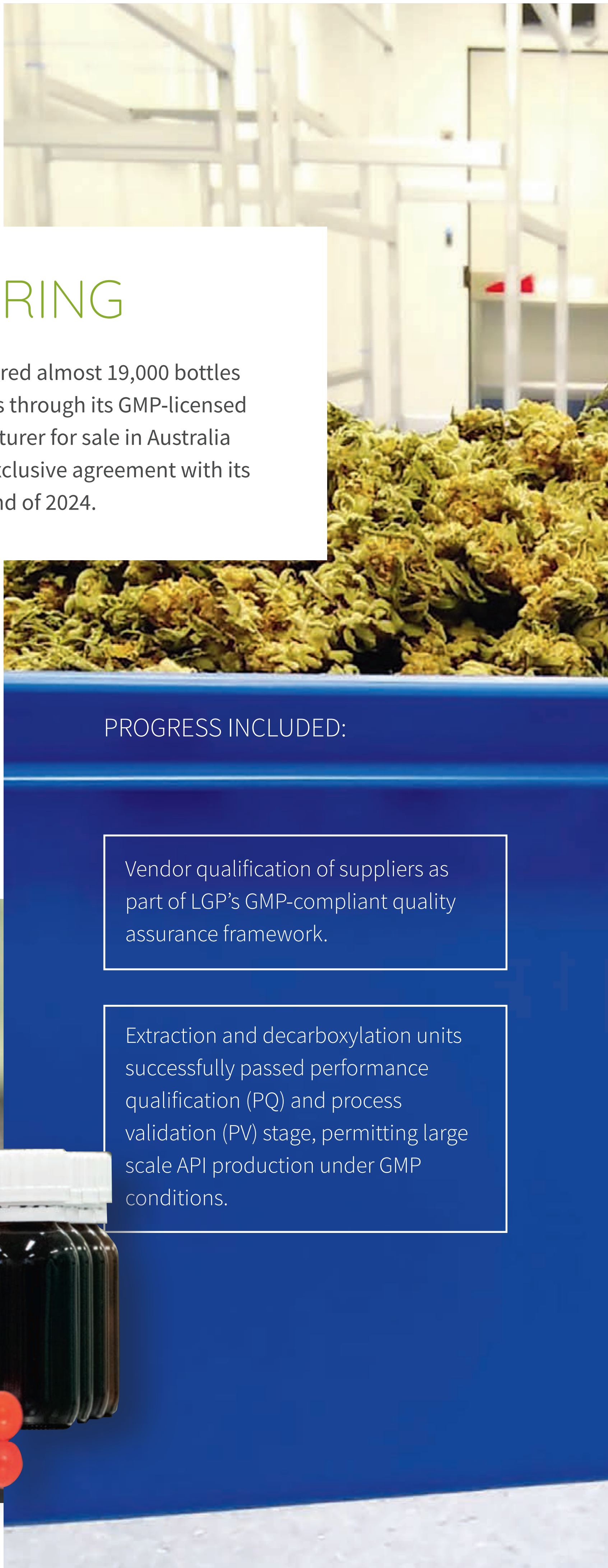
Potential annual flower production capacity to produce 110,000 (50mL) bottles.

5

MANUFACTURING

During the period, LGP manufactured almost 19,000 bottles of finished medicinal cannabis oils through its GMP-licensed pharmaceutical contract manufacturer for sale in Australia and Europe. LGP has a five-year exclusive agreement with its contract manufacturer until the end of 2024.

LGP continued to make significant progress upscaling its in-house manufacturing capacity and capability to meet demand for quality Australian medicinal cannabis products compliant with PIC/S GMP Guidelines, ICH Q10 PQS Guidelines and the TGA Guidelines.



PROGRESS INCLUDED:

- Vendor qualification of suppliers as part of LGP's GMP-compliant quality assurance framework.
- Extraction and decarboxylation units successfully passed performance qualification (PQ) and process validation (PV) stage, permitting large scale API production under GMP conditions.

Stability testing of all products as required under TGA guidelines.

Established pharmacovigilance protocols to ensure product safety, quality and efficacy.

Implementation of a Pharmaceutical Quality System (PQS) framework compliant with PIC/S GMP Guidelines and ICH Q10 PQS Guidelines.

Flower drying validations executed for flower resin oil extracts and whole flower bulk packaged goods.

5

PRODUCT INNOVATION

A core strategy of LGP is to deliver innovative pharmaceutical products specifically developed to improve patient outcomes.

THIS STRATEGY INCLUDES:

Launching an expanded range of medicinal cannabis oil products to meet immediate patient demand in Australian and overseas markets.

Developing innovative prescription medicines, including novel delivery systems and precisely formulated cannabinoid products.

CBD DOMINANT | **CBD DOMINANT** | **THC/CBD BALANCE** | **THC DOMINANT**

LGP's range of high-quality Australian medicine manufactured under TGA GMP conditions.

Expanded Product Range

Our product range increased from two to four products with the introduction of the CBD dominant LGP Classic 1:20 product formulation in October 2019 and CBD50 product formulation in March 2020. Both products have performed strongly in the market meeting anticipated patient demand.

5

Novel Product Innovation

During the reporting period the Company continued to refine its focus on differentiated and novel products and formulations. Primarily, LGP has been focusing its research and development across two main domains, being a novel product development using the ARISE technology and a patented liposomal formulation.

ARISE Technology

In January 2020, LGP agreed a licence agreement with Curtin University for the exclusive global use of its patented atomised rapid injection for solvent extraction (ARISE) technology in connection with medicinal cannabis. The technology generates particles of active pharmaceutical ingredients with physical properties that permit increased and targeted absorption by the body.

LGP has progressed this novel product development and formulation project, with the first milestone – to develop the excipient component of the proposed formulation – now completed.

Patented Liposomal Small Particle Formulation

In June 2020, the Company engaged Curtin University under a research partnership with an Innovation Connection grant of $50,000 allowing further research into the patented liposomal small particle formulation.

Indicative research demonstrates that its small particle formulation product may result in more rapid absorption, higher bioavailability, prolonged therapeutic effects, lower toxicity and improved ease of administration and dosage control than simple oil products.

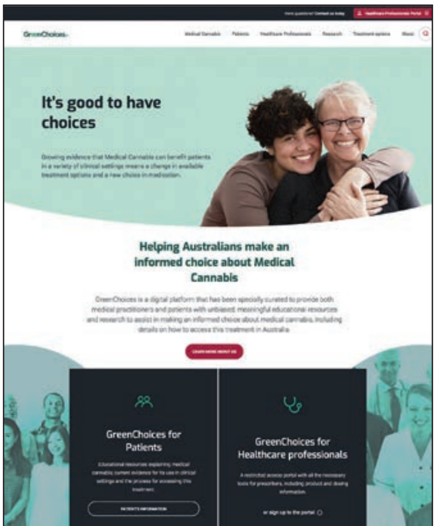
Developing innovative delivery systems.

EDUCATION

Healthcare practitioner education and outreach remains a critical component of LGP's commercial strategy. In FY 2020, LGP continued to engage with healthcare professionals to help support their education in relation to the benefits of cannabinoid medicines.

With easy to access digital education, LGP offers an access portal for patients and healthcare professionals located on its sponsored site, **GreenChoices.com.au**. This allows prescribers to access a range of resources to improve professional knowledge, including on the prescribing process, information on dosing, titration for specific conditions and an approved online training course.

GreenChoices

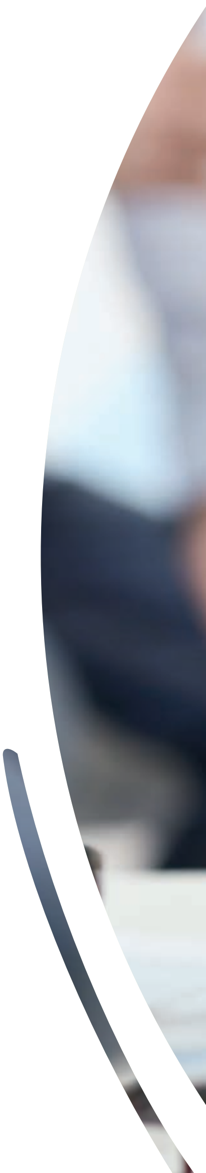


The impact of Covid-19 saw LGP move to enhance its online offering, through additional online training courses, webinars, and virtual meetings to engage with healthcare professionals.

After the reporting period, LGP also launched an even more comprehensive Medical Portal for health care professionals to access further resources on prescribing LGP medicines, treatment and dosing guides and the latest medical research, **littlegreenpharma.com/medical-portal/register**.

Clinical Investigations

LGP is involved in several clinical investigations, including two open-label designed studies as well as a double-blind placebo-controlled clinical trial run by a leading Australian research organisation for palliative care and advanced cancer. These study and trial outcomes will assist in informing the Company's future clinical trial plans and product development.



Delivering education sessions and webinars for medical professionals.

Exhibiting at General Practitioner and specialist conferences.

5

787%

Sales growth in Australia

Increased revenue from previous financial year to FY2020.

DISTRIBUTION

Australian Domestic Market

During the reporting period, the Company demonstrated strong sales growth in Australia with an increase in revenue from $248,000 in the previous financial year, to $2.2 million FY2020; with the cumulative number of bottles sold increasing from 1,675 for the year ended 30 June 2019 to over 14,850 for the year ended 30 June 2020.

The Australian medical cannabis market continues to grow with strong patient demand and more than 50,500 SAS B approvals granted via the TGA's Special Access Scheme.

International Markets

In June, LGP shipped 1,000+ units to LYPHE Group in the UK under a consignment sales agreement. The shipment was strategically important for LGP as it served to demonstrate a viable commercial channel into the UK and represented a key step towards LGP's goal of serving growing offshore patient demand.

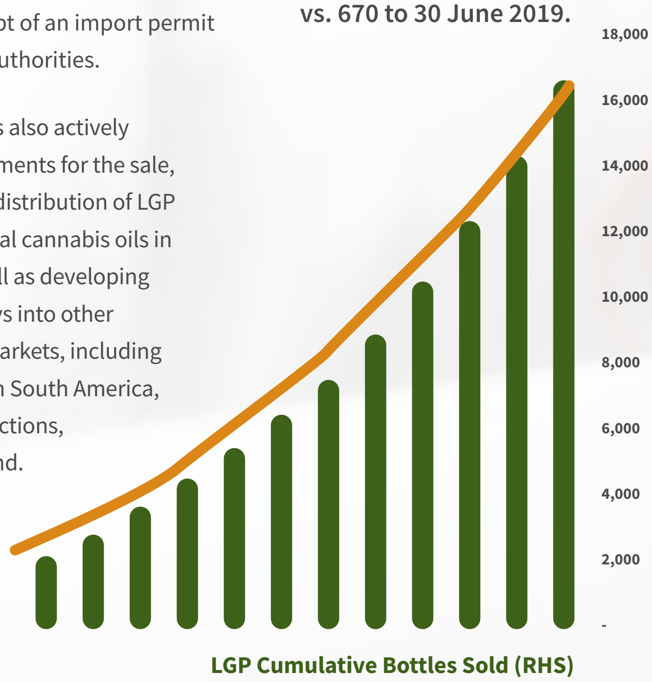
During the reporting period, LGP manufactured CC Pharma's order of 2,400 bottles of medicinal cannabis oil. This order will be shipped to Germany pending testing and CC Pharma's receipt of an import permit from German authorities.

The Company is also actively pursuing agreements for the sale, export, and/or distribution of LGP Classic medicinal cannabis oils in Germany as well as developing supply pathways into other international markets, including opportunities in South America, other EU jurisdictions, and New Zealand.

Fundraising

During the reporting period, the Company also raised A$9 million as part of its pre-IPO convertible note fundraising in July 2019, as well as raising A$10 million under its Initial Public Offering and successfully listing on the Australian Securities Exchange in February 2020.

Patients
4,560+
To 30 June 2020 vs. 670 to 30 June 2019.



6 Directors' Report

The Directors present this report for the financial year ended 30 June 2020.

Directors

As at the date of this report, the Directors of the Company are:

Mr. Michael Lynch-Bell
Independent
Non-Executive Chair

Dr. Neale Fong
Independent
Non-Executive Director

Ms. Fleta Solomon
Managing Director

Mr. Angus Caithness
Executive Director

The Directors listed above held these positions throughout the financial year.
The Directors listed as Independent Directors have been independent throughout the financial year.

Information on Directors

Michael Lynch-Bell
Independent
Non-Executive Chair

Michael is an experienced corporate finance executive and consultant. Michael led Ernst & Young's UK IPO and Global Natural Resources transaction teams in the Transaction Advisory practice and has been involved advising companies on fundraising, re-organisations, transactions, corporate governance as well as IPOs.

Michael is a former Chair of the Bureau and current member of UNECE's Expert Group on Resource Management and a Non-Executive Director of Barloworld Limited (JSE:BAW), Senior Independent Director and Remuneration Committee Chair of Gem Diamonds Limited (LSE:GEMD), Audit Committee Chair of Lenta Limited (LSE:LNTA) MCX:LNTA) and Deputy Chair and Nomination Committee Chair of Kaz Minerals plc (LSE:KAZ).

Michael is also Chair of the Company's Remuneration & Nomination Committee.

Dr Neale Fong
Independent
Non-Executive Director

Neale is a registered medical practitioner with over 35 years in senior leadership roles in private hospitals, the public health systems, management consulting, academia, health research, aged care and not for profit organisations. Neale is currently CEO of Bethesda Health Care and formerly Director General of the West Australian Department of Health.

Neale is an experienced ASX company director including a former non-executive Director of Neurotech International Limited (ASX:NTI) and executive chair of Chrysalis Resources Limited (ASX:CYS) and has been a Fellow of the Australian Institute of Company Directors for 17 years.

Neale is also Chair of the Company's Audit & Risk Committee.

Fleta Solomon
Managing Director

Fleta drives the strategic vision of the business and as Managing Director of Little Green Pharma has grown the company from a medicinal cannabis startup to an industry-leading medicinal cannabis brand in Australia. Fleta has 17 years' experience in corporate and consumer health markets. Fleta is a graduate of the Australian Institute of Company Directors (GAICD), holds a Bachelor of Science degree and an MBA from the University of Western Australia.

Angus Caithness
Executive Director

Angus is an experienced corporate finance executive and consultant in Australia and international markets.

Angus has ASX experience as a non-executive Director of Lindian Resources (ASX:LIN), CFO of Hunnu Coal (ASX:HUN) and Company Secretary for the IPO of Haranga Resources (ASX:HAR). Following these roles, Angus acted as CFO of Tavan Tolgoi, the owner of the world's largest coking coal deposit looking at a US$10 billion dual listing in London and Hong Kong.

Angus was previously an Executive Director at Ernst & Young in London and Australia specialising in initial public offerings of large cap mining companies. Angus is a Harvard Business School alumnus, a Chartered Accountant, a fellow of the Financial Services Institute of Australasia and is currently completing a Master of Science.

Board and Committee

The Directors held nine directors' meeting and six committee meetings during the financial year:

	Directors' Meetings		Audit and Risk Committee		Remuneration and Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr. Michael Lynch-Bell	9	9	2	2	4	4
Dr. Neale Fong	9	9	2	2	4	4
Ms. Fleta Solomon	9	9	-	-	2	2
Mr. Angus Caithness	9	9	2	2	-	-

In addition, 36 circular resolutions were passed.

Principal Activities

During the financial year, the principal activities of the Company were:

- **The cultivation of locally-grown medicinal cannabis, procurement of raw materials and the production of medicinal cannabis medicines;**
- **The establishment and continued development of distribution pathways within Australia, the EU and other international jurisdictions; and**
- **Ongoing research and development into new medicinal cannabis products and delivery technologies.**

In the Directors' view, there were no significant changes to the principal activities of the Company during the financial year.

Review of Operations

The operational review contained in both the Strategy section at page 6 and the Capability section at page 8 forms part of this Directors' Report.

During the year LGP sold over 14,850 bottles of medicinal cannabis oil, generating revenue of more than $2.2 million. The Group's loss for the financial year amounted to $9,315,435 (compared to the previous year's loss of $5,518,129).

Since completing its listing on the ASX, the Group's key focus has been the opening and development of sales channels in Europe, and the education of healthcare professionals in Australia. The Group's research and development activities continue to lead the market, focussed on the development of new and innovative drug delivery systems and products to meet market demand.

Key achievements by the Group during the year are as follows:

- Successfully raised $19 million of capital:
  - Completed a pre-IPO capital raising of $9 million in July 2019 through the issuance of convertible notes, which were converted into shares when the Company listed on the ASX.
  - Completed an ASX listing to raise $10 million in February 2020 with proceeds used for their intended purpose.
  - The Group had a strong cash position of $4.3 million as at 30 June 2020.
- Achieved significant year on year sales growth:
  - More than 14,860 bottles of medicinal cannabis product was sold in the year ended 30 June 2020, compared to 1,676 bottles during the previous year.
  - Each successive month during the year set a new sales record for the Group, with ~2,200 units being sold in the month of June 2020.

- Gross margin increased to 52% in the year ended 30 June 2020, from 41% in the previous year, realised as a result of increasing scale and greater operating efficiencies.
- More than 4,560 patients have been prescribed the Group's medicinal cannabis products by the end of the year, with more than 315 healthcare professionals prescribing the Group's products.
- Completed the inaugural export of Australian-produced medicinal cannabis product:
  - The Group made the first-ever export of domestically produced medicinal cannabis product to the UK in April 2020.
  - Exported the first commercial quantity of medicinal cannabis oil, with 1,000+ units shipped to the LYPHE Group Limited in the UK under a consignment sales agreement.
- Executed two new sales agreements:
  - The Group entered into a three-year sales agreement with Berlin-based DEMECAN and sent its first product samples to Germany.
  - Entered into a five-year sales agreement with Astral Health in the UK.
- Expanded the Group's product range with the release of two new medicinal cannabis oil products, LGP Classic 1:20 and LGP Classic CBD 50.
- Invested in expanding its cultivation and manufacturing capabilities to add significant production capacity:
  - Commissioned an expanded cultivation facility, which was completed on time and on budget. The ODC has granted a Cultivation and Production licence and permit for the expanded cultivation facility.
  - The construction of the Group's manufacturing facility progressed, and is expected to be commissioned towards the end of Q3 CY2020. The ODC has granted a Manufacturing Licence and Permit, which allows the production of cannabis resins on site.
- Contributed to several clinical investigations, including two open-label designed studies and a double-blind placebo-controlled clinical trial run by a leading Australian research organisation for palliative care and advanced cancer.
- Developed the Pharmaceutical Quality System and pharmacovigilance and clinical governance systems and processes to strengthen the Group's manufacturing and governance processes.
- Received a $300,000 dollar-for-dollar grant from the WA State Government under its Value-Add Agribusiness Investment Attraction Fund. These funds will be received in stages over the next 12 months.

The Group expects to maintain its strong position in the market with the continued growth of domestic sales and the further development of international markets.

Company Performance Against Expectations

The Company's operations during the year performed as expected in the opinion of the Directors.

Significant Changes in the State of Affairs

There were no significant changes in the nature or situation of the Company that occurred during the financial year other than the Company listing on the Australian Securities Exchange that are not otherwise disclosed in this report.

After Balance Sheet Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Likely developments in the operations of the Company, and the expected results of those operations in future financial years, have not been included in this report as these are likely to result in unreasonable prejudice to the Company.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends

There were no dividends paid or declared in the reporting period.

Remuneration Report

The Remuneration Report detailed on pages 27 to 31 of this Annual Report forms part of this Directors' Report.

Directors' Shares and Performance Rights

Directors' interests in shares and performance rights are set out in the Remuneration Report. These remain unchanged as at the date of that Remuneration Report.

Performance Rights

A total of 6,000,000 Performance Rights over unissued shares were granted during the reporting period.

Auditor's Independence Declaration

The Auditor's Independence Declaration set out on page 51 of this Annual Report forms part of this Directors' Report.

Corporate Governance Statement

The Company's Corporate Governance Statement is set out in pages 32 to 45 of this Annual Report.

Company Secretary

Mr. Alistair Warren was appointed Company Secretary in July 2020. Alistair (LLB. BA. Grad. Dip. Applied Econs.) is General Counsel for the Company and was previously inhouse legal counsel at BHP Group Ltd and a legal practitioner in private practice with Freehills lawyers (now Herbert Smith Freehills).

Indemnification and Insurance of Directors and Officers

Under the Company's constitution, the Company indemnifies any current or former Director or Company Secretary or officer of the Company or a subsidiary of the Company out of the property of the Company against any liability incurred by that person in that capacity, legal costs incurred in connection with proceedings, or legal costs incurred in good faith in obtaining legal advice on issue relevant to their performance of functions and duties if approved in accordance with Company policy, except where Company is forbidden by law to indemnify against such liability or costs or would be void under law.

Each Director and Officer has also entered into a Deed of Indemnity, Access and Insurance that provides for indemnity against liability as a director or officer, except to the extent such liability is prohibited by the Corporations Act or any applicable law or recovered under a separate policy of insurance. Pursuant to the Deed, Directors and Officers may also obtain independent professional advice at the Company's cost in connection with any matter connected with the discharge of that Officer's discharge of their responsibilities, subject to the Board's written consent, as well as advice in connection with any claim prior to the Company assuming conduct for the claim or with the Board's consent.

The Deed also entitles the director or officer to access company documents and records, subject to undertakings as to security and maintenance of privilege, and to receive directors' and officers' insurance cover paid for by the Company.

During or since the end of the financial period, the Company has paid or agreed to pay a premium in respect of a contract of insurance insuring directors and officers, of the Company and its subsidiaries, against certain liabilities incurred in that capacity. The terms of that policy prohibit disclosure of the total amount of the premiums paid for that contract of insurance.

Proceedings

The Company did not bring any proceedings against any party or seek to intervene in any such proceedings during the financial year. The Company was not a party to any proceedings during the year.

Signed in accordance with a resolution of the Directors:

Michael Lynch-Bell
Independent
Non-Executive Chair

Fleta J Solomon
Managing Director

31 August 2020

Remuneration Report for the 2020 Annual Report

The Remuneration Report sets out the Company's remuneration strategy for the financial year ended 30 June 2020 and provides detailed information on the remuneration outcomes for the Key Management Personnel in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Remuneration Philosophy

The Remuneration Committee is responsible for making recommendations to the Board for the Directors, Managing Director and Key Management Personnel. In line with its Charter, the Remuneration Committee is responsible for:

- reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- ensuring that the executive remuneration policy demonstrates a clear relationship between key director performance and remuneration;
- recommending to the Board the remuneration of executive and non-executive directors;
- fairly and responsibly rewarding executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
- reviewing and approving the remuneration of direct reports to the Managing Director, and as appropriate other senior executives; and
- reviewing and approving any equity-based plans and other incentive schemes.

Relationship between the Remuneration Policy and Company Performance

The performance measures for the Company's short-term incentive plan (STI Plan) and long-term incentive plan (LTI Plan) have been tailored to align with financial and operational objectives which create value for shareholders.

The Remuneration Committee obtained guidance and industry data from Mercer, a remuneration consultant, in order to design an STI and LTI Plan to motivate, retain and reward executive performance aligned to the Company's strategic objectives.

Key Management Personnel

The Remuneration report details the performance and remuneration of Key Management Personnel (KMP) for financial year 2020. KMP is defined as persons having authority and responsibility for directing and controlling the activities of an entity directly or indirectly. The KMP comprise:

- Non-executive directors being the Chair Mr Michael Lynch-Bell and non-executive director Dr Neale Fong; and
- Members of the executive team, being Ms Fleta Solomon (Managing Director) and Mr Angus Caithness (Executive Director). The executives are accountable for managing operational activities, financial control and risk management of the Company.

Components of Remuneration – Executives

During the financial year 2020, remuneration was structured according to the relevant employment agreements and performance measures in place.

The Managing Director's employment agreement to 30 November 2019 consisted of a base salary, superannuation and a short-term incentive plan while the Executive Director's consulting agreement consisted of a base salary, a short-term incentive, listing incentive as well as share based payments.

The base salary for the Managing Director was $120,000 plus superannuation and for the Executive Director it was $100,000.

The executives each received the following incentive payments in the financial year 30 June 2020:

- Short term incentive payment of $50,000 for the calendar year ended 31 December 2019; and
- $100,000 for the successful listing of the Company on the Australian Securities Exchange.

The Executive Director's consulting agreement dated 19 September 2017 included the granting of performance rights on achieving certain performance milestones accompanied by a three-year service condition and a three year expiry date. The performance milestones included:

- the launch of the first medicinal cannabis medicine for patients (3 million performance rights with a fair value of $360,000 at the date of grant);
- the first renewal of the cultivation licence (1 million performance rights with a fair value of $120,000 at the date of grant);
- the listing of the Company on a recognised stock exchange (1.5 million performance rights with a fair value of $180,000 at the date of grant); and
- achieving a market capitalisation in excess of $100 million (1 million performance rights with a fair value of $120,000 at the date of grant).

In addition to this, Mr Caithness was granted 3.5 million options with an exercise price of $0.30 which had a fair value of $129,500 at the date of grant. These options vest over the shorter of 3 years and a successful initial public offering.

At 30 June 2020, all performance rights and options had vested except the performance rights associated with the milestone of the Company obtaining a market capitalisation in excess of $100 million.

In preparation of the initial public offering, new executive contracts came into effect for the executives on 1 December 2019 with remuneration consisting of the following:

- Fixed remuneration in the form of a base salary and statutory superannuation contributions; and
- Variable performance-related remuneration in the form of an STI and LTI Plan.

Fixed Remuneration

The executives receive fixed remuneration plus superannuation. This remuneration is reviewed annually and there is no guarantee of increases to remuneration in any contracts of employment.

Variable Remuneration – STI Plan

The STI Plan is a variable component of remuneration which is an annual cash incentive that is linked to the achievement of specific performance milestones that are both financial and non-financial in nature.

The STI Plan runs from 1 January 2020 to 31 December 2020. The performance measures are clearly defined and measurable and approved by the Remuneration Committee. The performance measures are based on achievements which are consistent with the Company's strategic objectives and enhance shareholder value. Assessment of the achievement of the performance measures are subject to Remuneration Committee review.

Definitions of Performance Measures

Performance Measure	Strategic Intent
Sales revenue	Achieve revenue targets to ensure the business is sustainable and profitable.
Product launch	Implement the 'meet the market' strategy to ensure LGP keeps pace with market trends and can compete globally with competitors by introducing new products.
Distribution	Grow global distribution and brand awareness by entering into new overseas markets.
Overhead cost control	Minimise overhead costs while maintaining the Company's high level of corporate compliance.
Cash cost per bottle	Maintain a competitive cash cost of production to ensure the business is sustainable and profitable compared to its peers.

All STI's have the same weighting with performance being measured by the Remuneration Committee and the timing of payment being determined by the Board. The Executive are not entitled to any STI should there be a death on site or loss of an Office of Drug Control licence due to a breach of the licence.

Variable Remuneration – LTI Plan

Key features of the LTI Plan are as follows:

Performance Measure	Strategic Intent
Purpose	The LTI Plan is an equity incentive designed to create sustainable growth and shareholder value. The LTI Plan links a significant portion of at-risk remuneration with the Company's ongoing share price and therefore aligns with the return to shareholders over the performance period.
Eligibility	Executives are eligible to participate.
Award	500,000 performance rights per executive on achievement of each of the milestone conditions.
Performance Period	Three years from the date of listing on the Australian Securities Exchange.
Performance milestones	The Company's 20-day VWAP equalling or exceeding: 1. $0.55 during the vesting period; 2. $0.65 during the vesting period; and 3. $0.75 during the vesting period.
Vesting schedule	Upon satisfaction of the relevant milestone and subject to the KMP remaining employed by the Company at the relevant vesting date, the performance rights will vest in equal tranches: • On satisfaction of the relevant milestone; • 12 months after the date the relevant milestone is satisfied; and • 24 months after the date the relevant milestone is satisfied.
Expiry date	At the end of 5 years from the date of issue, any performance rights that have not vested will lapse.
Dividends	Dividends are not paid on performance rights.
Treatment upon departure or change of control	Performance Rights will lapse if an executive's employment is terminated for cause or poor performance, or if the executive resigns. Early vesting of the Performance Rights occurs on a change of control or is permitted at the Board's discretion including among other things, termination of a participant's employment, engagement or office with the Company due to death, permanent incapacity, mental incapacity, redundancy, resignation, retirement or any other circumstance in which the Board may exercise its discretion.

Service Contracts

Managing Director

The structure of the Managing Director's remuneration is in accordance with her employment agreement dated 1 December 2019. Ms Solomon is employed by the Company's Swiss subsidiary and receives a base salary of A$295,000 per annum plus superannuation and is entitled to participate in the STI and LTI Plans. Ms Solomon's base salary was reduced by 20% from 1 April 2020 as per the Company's Covid-19 Share Rights Plan as discussed below.

Ms Solomon relocated to Switzerland in December 2019 to establish a European sales hub for the Company. Ms Solomon receives a Cost of Living Allowance to assist with living costs. External guidance was sought from Mercer in relation to determining the appropriate allowance.

Express provision protects the Company's confidential information and intellectual property and Ms Solomon and the Company can terminate the agreement by giving 6 months' notice in writing to the other party.

The Company may summarily terminate the agreement on the grounds of, among other things, serious or persistent breaches of the terms of the agreement, gross or wilful misconduct or if Ms Solomon is found guilty of any conduct which results in damage to the reputation or the business of the Company.

Executive Director

The structure of the Executive Director's remuneration is in accordance with his employment agreement dated 1 December 2019. Mr Caithness receives a base salary of $260,000 per annum plus superannuation and is entitled to participate in the STI and LTI Plans. Mr Caithness's base salary was reduced by 20% from 1 April 2020 as per the Company's Covid-19 Share Rights Plan as discussed below.

Express provision protects the Company's confidential information and intellectual property. Mr Caithness and the Company can terminate the agreement by giving 6 months' notice in writing to the other party.

The Company may summarily terminate the agreement on the grounds of, among other things, serious or persistent breaches of the terms of the agreement, gross or wilful misconduct or if Mr Caithness is found guilty of any conduct which results in damage to the reputation or the business of the Company.

Components of Remuneration – Non-Executive Directors

As per the ASX Listing Rules the aggregate remuneration of non-executive directors shall be determined by a resolution approved by shareholders at a general meeting. The aggregate remuneration threshold is currently set at $300,000 per annum as approved by shareholders at the General Meeting in November 2018.

Non-executive directors receive fixed remuneration plus superannuation for their services with Mr Lynch-Bell receiving $120,000 plus superannuation and Dr Fong receiving $60,000 plus superannuation. Both non-executive directors had their base salary reduced by 20% from 1 April 2020 as per the Company's Covid-19 Share Rights Plan as discussed below. Presently no additional fee is paid to non-executive directors for being a member of any Board committees.

The non-executive directors were issued ordinary shares as a performance incentive on admission to the ASX. Mr Lynch-Bell received 250,000 shares with a fair value of $112,500 and Dr Fong received 125,000 with a fair value of $56,250. The non-executive directors will receive a retention incentive payable three years from the date of listing subject to shareholder approval.

Covid-19 response – Key Management Personnel

As part of the Company's Covid-19 response, the executive and non-executive directors agreed to vary their fixed remuneration by reducing the cash component of their remuneration by 20% in return for receiving Covid-19 Share Rights issued under the Employee Securities Incentive Plan (the Plan). Each Share Right provides an entitlement to one Share in the Company which is escrowed until 1 April 2021.

The salary reduction remains in place until 25 October 2020 and is subject to shareholder approval at the Company's next annual general meeting (AGM), which will be held on 26 November 2020. If the grant of Share Rights is not approved at the AGM, a cash payment will be paid by the Company instead.

KMP Statutory and Share-based Reporting

	F. Solomon		A. Caithness		M. Lynch-Bell		N. Fong	
	2020	2019	2020	2019	2020	2019	2020	2019
Salary and fees	163,761	120,000	174,663	100,000	58,922	-	31,966	-
Shares in lieu of salary[1]	14,909	-	13,140	-	6,570	-	3,032	-
Other benefits[2]	121,857	-	3,500	-	-	-	-	-
Post employment benefits	47,048	11,400	12,635	-	5,303	-	3,037	-
STI for year ended 31 December 2019	50,000	-	50,000	-	-	-	-	-
STI accrued to 30 June 2020	-	-	-	-	-	-	-	-
IPO listing incentive	100,000	-	100,000	-	-	-	-	-
Share based payments prior to IPO[3]	-	-	240,062	231,884	75,000	20,000	37,500	20,000
Share based payments post IPO[4]	124,271	-	124,271	-	16,603	-	8,301	-
30 June 2020 expense	621,846	131,400	718,271	331,884	162,398	20,000	83,836	20,000
Performance related	44%	0%	71%	70%	N/A	N/A	N/A	N/A
Director interest in shares #	19,600,000	19,600,000	5,677,491	-	600,000	350,000	925,000	800,000

1 Covid-19 Share Rights subject to shareholder approval.
2 Cost of living allowance for Ms Solomon in Switzerland; car parking for Mr Caithness.
3 Accelerated vesting of performance rights and options for Mr Caithness on IPO; Shares issued to Mr Lynch-Bell and Dr Fong on IPO
4 Accrual of LTI plan for Ms Solomon and Mr Caithness; Retention incentive payable in shares to Mr Lynch-Bell and Dr Fong due on 20 February 2023 subject to shareholder approval.

	F. Solomon	A. Caithness			M. Lynch-Bell	N. Fong
	Performance Rights	Options	Performance Rights		Shares	Shares
Award date	16-Jan-20[1]	19-Sep-17	19-Sep-17[2]	16-Jan-20[1]	16-Jan-20[3]	16-Jan-20[4]
Expiry date	16-Jan-25	19-Sep-22	19-Sep-20	16-Jan-25	20-Feb-23	20-Feb-23
Fair value of each instrument	$0.39	$0.037	$0.12	$0.39	$0.45	$0.45
Vesting period years	3.0	3.0	3.0	3.0	3.0	3.0
Exercise price	-	$0.30	-	-	-	-
Number of instruments[1]	1,500,000	3,500,000	6,500,000	1,500,000	550,000	275,000
Instruments vested to 30 June 2019	-	(2,072,000)	(2,368,000)	-	-	-
Instruments vested financial year 30 June 2020	-	(1,428,000)	(3,132,000)	-	(250,000)	(125,000)
Instruments still to vest at 30 June 2020	1,500,000	-	1,000,000	1,500,000	300,000	150,000
Instruments exercised during 30 June 2020	-	-	5,500,000	-	250,000	125,000
Grant date fair value of instruments exercised	-	-	$660,000	-	$112,500	$56,250
Exercise date fair value of instruments exercised	-	-	$2,475,000	-	$112,500	$56,250

1 Performance rights associated with the LTI Plan as detailed above.
2 The milestone associated with the remaining 1,000,000 performance rights which are still to vest relate to the Company achieving a market capitalisation in excess of $100m.
3 250,000 shares were issued to M. Lynch-Bell as part of the IPO, with a further 300,000 retention shares to be issued 3 years post IPO subject to shareholder approval.
4 125,000 shares were issued to N. Fong as part of the IPO, with a further 150,000 retention shares to be issued 3 years post IPO subject to shareholder approval.

7 Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT

Little Green Pharma's governance practices guide the Company and its controlled entities' activities and decision-making to ensure the Company meets stakeholder expectations of sound corporate governance and continuous improvement in company performance.

This corporate governance statement reviews the Company's corporate governance practices against the ASX Corporate Governance Principles and Recommendations – 4th Edition (Corporate Governance Principles). All these practices, unless otherwise stated, were in place for the entire year.

The Corporate Governance Principles are as follows:

PRINCIPLE 1:	Lay solid foundations for management and oversight
PRINCIPLE 2:	Structure the board to be effective and add value
PRINCIPLE 3:	Instil a culture of acting lawfully, ethically and responsibly
PRINCIPLE 4:	Safeguard the integrity of corporate reports
PRINCIPLE 5:	Make timely and balanced disclosure
PRINCIPLE 6:	Respect the rights of security holders
PRINCIPLE 7:	Recognise and manage risk
PRINCIPLE 8:	Remunerate fairly and responsibly

Given the differences in size, complexity, history and culture of listed companies, the Corporate Governance Principles adopt an "if not, why not" approach to compliance and disclosure, requiring companies to explain the reasons for any departure from the Corporate Governance Principles recommendations. These explanations are included in section 9 of this statement.

Specific corporate governance policies of the Group are detailed on the Company's investor website under the Governance tab, at https://investor.littlegreenpharma.com/site/about/corporate-governance. In this statement Little Green Pharma and its controlled entities together are referred to as the "Group" or "Company".

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1) Board Charter and roles and responsibilities

The Board has adopted a Board Charter establishing corporate governance roles and responsibilities within the Group.

Under its Charter, the Board is ultimately responsible to the Company's shareholders for all matters related to the running of the Company. The Board's role is to govern the Company rather than to manage it, with the role of Senior Executives and Management to manage the company in accordance with the direction and delegations of the Board.

In general, the Board is responsible for overseeing all policies, practices, management, and operations of the Company, including corporate reporting systems, risk management, remuneration frameworks, governance issues, succession planning, and stakeholder communications. The Board also takes decisions regarding matters of fundamental importance to the Group.

The Board's focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed. Management is directly accountable to the Board to deliver timely, accurate, and relevant information to enable the Board to perform its responsibilities. Management is also responsible for operating within the relevant directives and the risk appetite established by the Board whilst supporting the Managing Director in executing day-to-day operations.

The respective roles and responsibilities of the Board include:

- providing strategic guidance to the Group, including contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the budget, financial plans, and major capital expenditure initiatives
- overseeing and monitoring:
  - a) organisational performance and the achievement of the Group's strategic goals and objectives
  - b) progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
  - c) financial performance including approval of the annual and half-year financial reports and liaison with the Group's auditors; and
  - d) effectiveness of the Group's governance policies and procedures
- appointment, performance assessment and, if necessary, removal of the Managing Director
- ratifying the appointment and/or removal and contributing to the performance assessment of members of the Senior Executive team including the CFO and Company Secretary
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the Group
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders
- ensuring appropriate resources are available to the Senior Executive

Board composition

During the reporting period and as of 30 June 2020 the Board comprised the following Directors:

Mr Michael Lynch-Bell	Independent, Non-Executive Director and Chair
Dr Neale Fong	Independent, Non-Executive Director
Ms Fleta Solomon	Managing Director
Mr Angus Caithness	Executive Director

The Board includes two Independent Non-Executive Directors who bring a fresh perspective to the Board's consideration of strategic, risk and performance matters.

The Board seeks to ensure that:

- its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external or fresh perspective
- the size of the Board is appropriate to the size and operations of the Company

Details of the members of the Board, including their experience and qualifications, matters affecting their independence (if any) and their independent status are set out in "Our Organisation > Management Team" section of the Company's website. www.littlegreenpharma.com

Role of the Chair

The Chair is responsible for leading the Board, and for utilising his or her experience, skills and leadership abilities to facilitate the governance process. The Chair's focus is on ensuring that the Board and the Managing Director act in an ethical manner with strong values to support the governance principles of the Group.

Role of the Managing Director

The Managing Director is generally responsible for the pursuit of the Company's goals and vision in accordance with the strategies, policies, programs and performance requirements approved by the Board.

The Managing Director's specific responsibilities include:

- developing the Company's vision, values and goals
- responsibility for achievement of corporate goals and objectives
- developing the Company's ongoing corporate strategy with the Board
- implementing and monitoring strategy and reporting to the Board
- advising the Board on the most effective organisational structure and implementation
- undertaking the role of Company spokesperson
- ensuring legal and regulatory compliance and compliance with corporate policies and standards
- ensuring the implementation of appropriate risk management practices and policies

The Managing Director is also required to be present at meetings of the various committees of the Board that meet from time to time. The Managing Director reports directly to the Board.

Role of Management

Management's role and responsibilities include:

- daily management of the Group's affairs and implementation of Group strategy as directed by the Board
- handling day-to-day commitments conforming to the Group's framework, relevant laws and regulations
- implementing and monitoring risk management
- negotiation of contracts, agreements and other documentation
- supervising of operations conducted at project sites
- analysis of cannabis industry trends

1.2) Appointment and re-election of Directors

The Board's policy is that the majority of Directors shall be independent, non-executive directors at a time when the size of the Company and its activities warrant such a structure. This will ensure that all Board discussions have the benefit of outside views and experiences and the majority of Directors will be free of any interests or influences that could interfere with the Director's ability to act in the best interests of the Company.

The Company reviews the composition of the Board whenever a new Director is to be appointed to ensure a diverse and necessary range of skills, experience and expertise is developed and maintained. The Remuneration and Nomination Committee identifies and short-lists candidates with appropriate skills and experience, taking advice from independent consultants where appropriate. The Company undertakes substantial background checks of a shortlisted candidates, including determination of whether the selected candidate is a Fit and Proper Person under the Narcotic Drugs Act 1967. Directors are initially appointed by the full Board, subject to Office of Drug Control approval and election by shareholders at the next Annual General Meeting. The Company's constitution provides that the number of Directors shall not be less than three.

A Director must not hold office without re-election past the third Annual General Meeting following the Director's appointment or last election, or more than 3 years, whichever is the longer, and there must be an election of Directors at each Annual General Meeting of the Company. The Company provides shareholders with all material information on whether they support the re-election.

1.3) Terms of Director appointment

The Company appoints Non-Executive Directors under formal letters of appointment setting out:

- the role and expectations for the position including committee work and other duties
- expected time commitment
- remuneration and expenses
- outside interest disclosure
- disclosure of information and personal interests in securities
- access to independent advice; and
- indemnity and insurance arrangements

Executive Directors are employed pursuant to employment agreements setting out the information above as well as:

- Circumstances giving rise to termination
- Entitlements on termination
- Non-compete restrictions

Directors have the right, in connection with their duties and responsibilities as members of the Board and Committees, to seek independent professional advice at the Company's expense. Prior written approval of the Chair is required such approval not to be unreasonably withheld, with the Company reimbursing the Director for the reasonable expense of obtaining the advice.

1.4) Role of the Company Secretary

The Company Secretary is responsible for:

- advising and supporting the Chairman and the Board and its Committees to manage the day-to-day governance framework of the Company
- assisting with Board effectiveness by monitoring whether applicable Board and Committee policies, procedures and charters are followed and coordinating the timely completion and despatch of Board agendas and papers; and
- assisting with all matters to do with the proper functioning of the Board including advising on governance matters and assisting with induction and professional development of Directors

1.6) Diversity policy summary

The Company recognises the benefits arising from employee and Board diversity, which includes access to a broader pool of high-quality employees, improving employee retention, accessing different perspectives and ideas, and benefiting from available talent. For the purposes of the Company Diversity Policy, diversity includes but is not limited to matters of gender, age, ethnicity, and cultural background.

The Company has established a diversity policy which is designed to achieve, among other things, a diverse and skilled workforce, workplace culture characterised by inclusive practices and behaviours for the benefit of all staff; improved employment and career development opportunities for women; and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity. The Company's diversity policy is reviewed annually.

The Company has adopted the following specific diversity targets for the Board, senior management and employees:

PERSONNEL	DIVERSITY TARGET	TARGET TIME-FRAME
Directors	≥40% female	By 30 June 2023
Senior Executives	50% female, 50% male	By 30 June 2023
Employees	50% female, 50% male	By 30 June 2023

At the date of this Corporate Governance Statement, the proportion of women in the Group is:

The Company's Diversity Policy is available in the Governance section of the Company's investor website.

1.7) Board and Committee performance assessment

The Company has an evaluation process for the Board and its Committees as set out in the Board Charter.

The Board Charter requires an annual review of its Board, Committees and individual Directors to be conducted by the Remuneration and Nomination Committee.

The review is based on goals established by the Company. Measurement of performance against these goals is reviewed in a dedicated meeting, from which a series and actions and goals are developed to guide improvement. The Chair also provides confidential feedback to individual Directors on their performance on an ongoing basis.

The Board sets expectations for the Committees after considering the Company's current and future needs, with the Remuneration and Nomination Committee reviewing the performance of the Committees against expectations on an annual basis. Each Committee's structure and membership is also reviewed on an annual basis.

The annual evaluation of the Board is done on a calendar year basis and will be completed in January 2021. An evaluation of the Board and its Committees was not completed in the reporting period, as the Board determined it unnecessary given that the Company only listed in February 2020 and this was the first reporting period.

1.8) Senior Executives performance assessment

The Company sets performance targets for its Senior Executives and their performance is evaluated against these targets. These targets are aligned to overall business goals and Company requirements for the position. An informal assessment of progress is carried out through the year, with a full evaluation of the executives conducted annually. Performance pay components of Senior Executive packages are dependent on the outcome of the evaluation.

The annual evaluation of the Senior Executive is typically conducted in January. Evaluation of the Senior Executive was not completed in the reporting period as the Board determined it unnecessary given the Company listed in February 2020. The Board will complete its evaluation in January 2021.

1.9) Management performance assessment

Management are evaluated annually against the budget and relevant key performance indicators. The evaluation will be completed in January 2021 on the Company's performance to 31 December 2020.

PRINCIPLE 2: STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

2.1) Remuneration and Nomination Committee

Board Committees

The Board has established a combined Audit and Risk Committee and a combined Remuneration and Nomination Committee to assist the Board perform its duties and permit detailed consideration of complex issues. Each Committee has its own charter setting out its role and responsibilities, structure, membership requirements and the way the relevant Committee is to operate, with all matters determined by committees submitted to the full Board for review and approval. Additional requirements for specific reporting by the Committees to the Board are addressed in the charter of the individual Committees.

Remuneration and Nomination Committee

The Nomination Committee is combined with the Remuneration Committee and considers the overall balance and efficiency of the Board's composition and size. The Committee reviews both Director and Managing Director succession plans to ensure the Board maintains an appropriate and wide range of skills and experience across the Board. The Committee is also responsible for evaluating the Board, individual directors, Committees and Senior Executive.

The Committee members throughout the reporting period were:

Mr Michael Lynch-Bell	Independent, Non-Executive Director and Chair
Dr Neale Fong	Independent, Non-Executive Director
Ms Fleta Solomon	Managing Director

The Committee held four Committee meetings during the reporting period. The Committee's charter is available in the Governance section of the Company's investor website.

2.2) Board skills matrix

The Company has adopted the following skills matrix setting out the mix of skills that the Board has or is currently looking to achieve in its membership:

COMPOSITION OF KEY SKILLS AND EXPERIENCES ACROSS THE BOARD		# OF DIRECTORS
Financial and capital markets	• Accounting expertise • Financial acumen • Experience with equity capital markets	4
Risk and Compliance	• Policy and regulatory awareness • Securities law knowledge • Understanding of risk management	4
International markets	• International corporate and industry relations experience	4
Leadership/ Management	• Ability to influence others • Senior management experience	4
Marketing & Sales	• Expertise and understanding of medicinal cannabis marketing and sales	2
Medical / Pharmaceutical	• Functional experience in medical or pharmaceutical business	1

2.3) Directors independence and length of service

In determining Director independence, the Board has regard to each of the relationships that may affect independence as set out in Box 2.3 of the Corporate Governance Principles.

In each case, the materiality of the interest, position or relationship is assessed by the Board to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgement to bear on issues before the board and to act in the best interest of the entity as a whole rather than in the interests of an individual security holder or other party. The Board assesses Director independence annually.

The Board notes that the mere fact that a director has served on a board for a substantial period does not mean that the director has become too close to management or a substantial holder to be considered independent.

The following table shows the Directors' length of service as at 30 June 2020:

	INDEPENDENCE	LENGTH OF SERVICE
Mr Michael Lynch-Bell	Assessed as independent	~ 1 year, 7 months
Dr Neale Fong	Assessed as independent	~ 1 year, 7 months
Ms Fleta Solomon	Deemed not independent	~ 3 years, 1 month
Mr Angus Caithness	Deemed not independent	~ 2 years, 9 months

2.5) The Chair should be independent

The Chair of the Company is Mr Michael Lynch-Bell, an Independent Non-Executive Director.

2.6) Induction and professional development of Directors

The Company provides an induction program for new Directors and Senior Executives to ensure they have a full understanding of the Company's financial position, strategy, operations and risk profile. The induction program also identifies the respective rights, duties and roles of the Board and Senior Executive members.

From time to time, the Remuneration and Nomination Committee evaluates the skills and expertise of the Board and Senior Executive to determine whether further professional development is required.

2.4) Majority of Board should be independent Directors

Pursuant to the Corporate Governance Principles, the majority of the Board of a listed entity should be independent directors. Currently, the Board consists of four directors, of which only two are independent directors. The Company considers the current Board structure and composition a cost effective and practical method of directing and managing the Company, and as such has not appointed a fifth independent director at this time. As the business grows the Company will evaluate the skills required and consider additional directors.

PRINCIPLE 3: INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY, AND RESPONSIBLY

3.1) Company should articulate its values

The Company has identified its key values as Trust, Quality, Innovation, Determination, Imagination and Passion as well as the values identified in its Code of Conduct and other Company policies.

3.2) Code of Conduct

The Company has adopted a Code of Conduct which provides a framework for ethical decision-making and actions in relation to the Company’s affairs and business. This Code of Conduct underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The Code sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from employees, directors and management. The Code is reviewed annually together with the other corporate governance policies of the Company.

The Company’s Code of Conduct is available in the Governance section of the Company’s investor website.

3.3) Whistle-blower policy

The Company’s whistle-blower policy has been adopted by the Board to ensure concerns regarding unacceptable conduct including breaches of the Company's Code of Conduct can be raised on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment. The Company is committed to creating and maintaining a culture of corporate compliance and ethical behaviour in which employees are responsible and accountable and behave with honestly and integrity consistent with the Company's values.

A copy of the Company’s Whistle-blower policy can be found in the Governance section of the Company’s investor website.

3.4) Anti-bribery and corruption policy

The Company has a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings. The Company has adopted an anti-bribery and corruption policy that establishes the responsibilities of employees, executive management, suppliers, consultants, customers and contract staff and provides information and guidance to those working for the Company on how to recognise and deal with bribery and corruption issues.

The Company’s Anti-bribery and Corruption policy is available in the Governance section of the Company’s investor website.

PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

4.1) Audit and Risk Committee

In August 2019, the Company established a combined Audit and Risk Committee with the following members:

Dr Neale Fong	Independent, Non-Executive Director and Chair
Mr Michael Lynch-Bell	Independent, Non-Executive Director
Mr Angus Caithness	Executive Director

All members of the Audit and Risk Committee are financially literate and have an appropriate understanding of the industry in which the Group operates. The Audit and Risk Committee operates in accordance with a Committee Charter.

The Audit and Risk Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The main responsibilities of the Audit and Risk Committee are to:

- review the audited annual and half yearly financial statements and any reports which accompany published financial statements before submission to the Board for approval
- review the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal
- review the adequacy of accounting and financial controls together with the implementation of any recommendations of the external auditor in relation thereto
- consider the appointment of an internal auditor
- monitor and review the propriety of any related party transactions; and
- review and approve the level of non-audit services provided by the external auditors and ensure these do not adversely impact on auditor independence

The Audit and Risk Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party. The Audit and Risk Committee held two meetings during the reporting period.

The Audit and Risk Committee Charter is available in the Governance section of the Company's investor website.

4.2) Declaration of record maintenance and financial statements compliance

The Managing Director and CFO have made the following declarations to the Board:

- that the Company's financial reports are in accordance with relevant accounting standards and give a true and fair view of the financial position and performance of the Company and Group; and
- that the above declaration has been formed based on a sound system of risk management and internal controls which operates effectively and implements the policies adopted by the Board

4.3) Verification of integrity of corporate report

The Company's Audit and Risk Committee appoints independent external auditors with auditor performance reviewed annually. In 2018, the Company appointed Deloitte as its external auditor. Deloitte's policy is to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in a note to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board. The external auditor will attend the Company's Annual General Meeting and be available to answer written shareholder questions submitted prior to the meeting about the conduct of the audit and the preparation and content of the Audit Report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1) Written continuous disclosure policy

The Company has adopted a Continuous Disclosure policy that establishes processes to ensure the continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Company Secretary has been nominated as the person responsible for communications with the ASX in collaboration with the Executive Director, Disclosure Committee and Board. The Company Secretary is also responsible for ensuring compliance with the ASX continuous disclosure requirements and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

The Company's Continuous Disclosure policy is available in the Governance section of the Company's investor website.

5.2) Board receives copies of material market announcements

Under the Company's Continuous Disclosure policy, the Company Secretary is responsible for ensuring all material market announcements released to the ASX are provided to the Board. Currently, the Company's Continuous Disclosure policy also requires all ASX disclosures to be approved by the full Board prior to release.

5.3) Disclosure of investor or analyst presentations

The Company's Continuous Disclosure policy requires that any presentation materials used to brief investor or analysts on aspects of the Group's operations are released to the ASX and posted on the Company's website prior to the briefing.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

6.1) Company information via website

The Company's website and investor website allows shareholders and stakeholders to gain access to all current information about the Company including the Company's corporate governance policies.

6.2) Investor relations

The Company periodically holds online investor briefings during or prior to which investors are encouraged to ask questions of management. The Company also seeks to provide opportunities for shareholders to participate through electronic means via the Company's website. The website enables shareholders to register their email address for direct email updates. Shareholders are also welcome to make direct contact with the head office on any enquires they may have using the contact details provided on the Company's website.

6.3) Shareholder participation

The Company encourages shareholder participation at General and Annual Meetings. The Company's share registry mails out notices of General Meetings and Annual General Meetings directly to shareholders. In addition, shareholders who have subscribed to email alerts receive an email notification of all meetings and ASX announcements.

6.4) Substantive resolutions by poll

The Company proposes to ensure all substantive resolutions at its General Meetings and Annual General Meetings are conducted by poll. During COVID, the Company proposes to give shareholders the option to attend General Meetings and Annual General Meetings electronically through an online platform. Shareholders will be invited to submit proxy votes prior to the meeting, with shareholder who wish to vote at the meeting invited to submit personalised poll forms by email to the Company Secretary at the appropriate interval during the meeting.

6.5) Electronic communications

The Company actively encourages shareholders to send and receive communications from the Company and its share registry using electronic means. Shareholders wishing to receive electronic notices of meetings and annual reports can select these preferences by accessing the Company's share registry website. The contact details for the Company's registry are listed on the Company's investor website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1) Risk committee

The Company's Audit and Risk Committee is responsible for ensuring there is adequate governance in relation to risk management, compliance and internal control systems for the Group. Under the Audit and Risk Committee charter, the Committee is responsible for:

- assessing the internal processes for determining and managing key risk areas on a quarterly basis
- ensuring that the Company has an effective risk management system
- monitoring Management's performance against the Company's risk management framework including whether it is operating within the risk appetite set by the Board
- developing and maintaining a risk register that identifies the risks to the Company and its operation and assesses the likelihood of their occurrence; and
- reporting all major risks to the Company to the Board

In summary, the Company's risk management policies are designed to ensure operational, insurance, legal, reputational, cyber disruption, privacy, compliance and financial risks are identified, assessed, effectively and efficiently managed and monitored. The Managing Director and their delegates are charged with implementing appropriate risk systems within the Company based on these policies and guidance from the Audit and Risk Committee.

The Audit and Risk Committee had the following members throughout the reporting period:

Dr Neale Fong	Independent, Non-Executive Director and Chair
Mr Michael Lynch-Bell	Independent, Non-Executive Director
Mr Angus Caithness	Executive Director

The Audit and Risk Committee held two meetings during the reporting period.

The Company's Audit and Risk Committee charter and Risk Management policy are available in the Governance section of the Company's investor website.

7.2) Review of risk management

The Audit and Risk Committee, together with assistance from the CFO and General Counsel, are responsible for the evaluation and development of the Company's risk management framework and processes.

A review of the Company's key risks and management framework was undertaken in connection with the Company's Initial Public Offering in February 2020. The Company will undertake an annual review of its risk management.

7.3) Internal audit function

Given the size and maturity of the business and the day to day involvement of the Managing Director and Executive Director in the business, there is no internal audit function. Currently, the Audit and Risk Committee and CFO review and oversee those matters that would ordinarily be the responsibility of an internal audit function. As the business grows the Company will re-assess this position.

7.4) Social and environmental risks

The Company does not have any material exposure to environmental or social risks associated with its operations.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1) Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established in August 2019 in anticipation of the Company becoming a listed entity.

Throughout the reporting period and as at 30 June 2020, the Remuneration and Nomination Committee consisted of the following Directors:

Mr Michael Lynch-Bell	Independent, Non-Executive Director and Chair
Dr Neale Fong	Independent, Non-Executive Director
Ms Fleta Solomon	Managing Director

8.2) Remuneration policies and practices

In accordance with its charter, the Remuneration and Nomination Committee advises the Board on remuneration and incentive policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for Non-Executive Directors, Executive Directors, other Senior Executives and employees.

The Company agrees employment contracts with each Senior Executive covering a range of matters including their duties, rights, responsibilities and any entitlements on termination.

Further information on Directors and Senior Executive remuneration, including principles used to determine remuneration, is set out in the Remuneration Report which forms part of this annual report.

8.3) Transactions which limit economic risk

In accordance with the Group's Securities Trading Policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of performance rights, options or other unvested entitlements.

PRINCIPLE 9: DEPARTURES FROM THE CORPORATE GOVERNANCE PRINCIPLES RECOMMENDATIONS

This section identifies Company departures from the Corporate Governance Principles recommendations during the reporting period:

	DEPARTURE FROM RECOMMENDATION	EXPLANATION
2.4	A majority of the Board of a listed entity should be independent Directors	Currently, the Company's Board consists of two executive directors and two non-executive independent directors. The Board considers that the current Board composition and structure is a cost effective and practical method of directing and managing the Company. The Board considers that the current size of the Company does not justify the costs associated with appointing an additional independent director without merit, particularly in the current cost-constrained Covid-19 environment.
4.1	The Board of a listed entity should have an audit committee which has at least three members, all of whom are non-executive directors and a majority of whom are independent directors.	As a consequence of the Board consisting of only two non-executive directors (referred to above), the Company has appointed an executive director as a third committee member and is therefore presently unable to satisfy the requirement for the audit committee members to all be non-executive directors.

8

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Little Green Pharma Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Little Green Pharma Ltd (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Revenue Recognition</td><td></td></tr>
<tr><td>As disclosed in Note 3 (i), Revenue recognised for the year-end 30 June 2020 totals $2,204,021 which is recognised at the transaction price, which is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer.

Revenue is recognised by management after assessing all factors relevant to each sale, including:
• Any variable consideration;
• Contractually agreed terms of the sale;
• Type of product being sold;
• Historical amounts received, current economic conditions, and current industry conditions; and
• Timing of transfer of title of the goods.</td><td>Our procedures included, but were not limited to:
• Reviewing the revenue recognition accounting policy against the criteria set by the relevant accounting standard;
• Assessing the company's internal controls and procedures; and
• On a sample basis, agreeing the sum of $1,118,055 per the general ledger to the respective sales invoice and related signed delivery document per each selection.

We also assessed the appropriateness of the disclosures in Note 3 (i) to the financial statements.</td></tr>
<tr><td>Convertible Notes</td><td></td></tr>
<tr><td>As disclosed in Note 11, the Group replaced and issued 9,000,000 new convertible notes during the financial year, which were subsequently converted upon the company's Initial Public Offering ("IPO") in February 2020. Upon IPO, the notes and associated interest were settled via the issue of equity in the company.

In determining the correct accounting treatment, the agreements were required to be reviewed to determine specific clauses, including:
• Understanding if there was a single tranche or two tranche's of notes;
• Determining if either tranche was a compound financial instrument, or a debt instrument at amortised cost;
• Determining the value of any equity portion;
• Determining the value of any embedded derivatives;
• Understanding the calculations of effective interest charges; and
• Understanding the calculation of interest accrued on the notes.</td><td>Our procedures included, but were not limited to:
• Reviewing Convertible Note Agreements to understand key terms included;
• Evaluating the number of tranches based on the key terms Convertible Note Agreement;
• Evaluating the valuation obtained from managements expert with regards to the financial instrument and assessing the competence and objectivity of managements expert;
• Recalculating the accrued interest and reconciled to the general ledger;
• Assessing that the conversion upon IPO of the notes' face value and that accrued interest was in line with the underlying agreements; and
• Recalculated the effective interest charges; and
• Agreeing the appropriate amounts were included in profit or loss.

We also assessed the appropriateness of the disclosures in Note 11 to the financial statements.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 31 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Little Green Pharma Ltd, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Skelton, Partner
Chartered Accountants
Perth, 31 August 2020

Deloitte Touche Tohmatsu
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The Directors
Little Green Pharma Ltd
Level 2, 66 Kings Park Rd
West Perth, WA 6005

31 August 2020

Dear Directors

Auditor's Independence Declaration to Little Green Pharma Ltd and its controlled entities

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Little Green Pharma Ltd.

As lead audit partner for the audit of the financial statements of Little Green Pharma Ltd for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Skelton
Partner
Chartered Accountant

9 Financial Report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2020

	Note	30 June 2020	30 June 2019
Assets			
Current assets			
Cash and cash equivalents		**4,273,564**	510,286
Biological assets	4	**13,857**	142,953
Inventory	5	**1,349,466**	370,787
Accounts receivable	6	**629,657**	88,280
Prepaid expenses		**34,553**	5,455
Total current assets		**6,301,097**	1,117,761
Plant and equipment	7	**7,488,069**	609,617
Right-of-use assets	8	**1,655,148**	-
Intangible assets	9	**620,375**	158,064
Refundable deposits		**340,229**	70,697
Total non-current assets		**10,103,821**	838,378
Total assets		**16,404,918**	1,956,139
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	**2,086,993**	1,726,722
Lease liability	8	**240,003**	-
Employee benefit obligations		**335,896**	186,840
Total current liabilities		**2,662,892**	1,913,562
Lease liability	8	**1,445,113**	-
Convertible notes	11	**-**	1,330,645
Total non-current liabilities		**1,445,113**	1,330,645
Total liabilities		**4,108,005**	3,244,207
Net assets/(liabilities)		**12,296,913**	(1,288,068)
Shareholders' equity			
Share capital	12	**29,944,260**	7,317,514
Reserves		**1,161,181**	887,511
Accumulated deficit		**(18,808,528)**	(9,493,093)
Total shareholders' equity		**12,296,913**	(1,288,068)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 30 June 2020	Year Ended 30 June 2019
Revenue			
Medicinal cannabis sales		**2,204,021**	248,500
Cost of sales			
Cost of goods sold		**(1,084,564)**	(200,231)
Gain on changes in fair value of biological assets	4	**33,513**	52,456
Gross margin		**1,152,970**	100,725
Expenses			
General and administrative	13	**(4,383,000)**	(3,546,195)
Sales and marketing		**(1,455,017)**	(646,458)
Licences, permits and compliance costs		**(1,223,748)**	(491,419)
Education		**(682,097)**	(475,262)
Research and development		**(1,005,165)**	(372,792)
		(8,749,027)	(5,532,126)
Loss from operations		**(7,596,057)**	(5,431,401)
Interest income		**47,061**	4,164
Government grants received	24	**320,081**	-
Research and development incentive		**600,258**	260,529
Finance expense	14	**(400,035)**	(4,681)
Fair value change on convertible note	11	**(2,285,857)**	-
Fair value changes in financial assets		**-**	(346,326)
Net foreign exchange		**(886)**	(414)
Loss before tax		**(9,315,435)**	(5,518,129)
Tax expense	15	**-**	-
Loss after tax		**(9,315,435)**	(5,518,129)
Other Comprehensive Income			
Items that may be reclassified subsequently to the income statement			
Exchange fluctuations on translation of foreign operations		**(47,943)**	(8,070)
Total comprehensive loss net of tax		**(9,363,378)**	(5,526,199)
Net Loss per share			
Basic and diluted (cents)		**(7.28)**	(7.97)
Weighted average number of shares outstanding			
Basic and diluted		**127,945,514**	69,215,006

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital		Share based payment reserve	Translation reserve	Accumulated deficit	Total
	No. Shares	$				
As at 30 June 2018	68,852,666	7,221,577	392,565	-	(3,974,964)	3,639,178
Shares in lieu of cash	726,670	95,937	-	-	-	95,937
Share based payments	-	-	503,016	-	-	503,016
Translation reserve	-	-	-	(8,070)	-	(8,070)
Loss after tax	-	-	-	-	(5,518,129)	(5,518,129)
As at 30 June 2019	69,579,336	7,317,514	895,581	(8,070)	(9,493,093)	(1,288,068)
Initial public offering	22,222,222	10,000,000	-	-	-	10,000,000
Convertible notes and shares issued	34,841,176	12,946,949	-	-	-	12,946,949
Share based payments	-	-	1,315,780	-	-	1,315,780
Transfer on vesting	6,858,335	994,167	(994,167)	-	-	-
Capital raising costs	-	(1,314,370)	-	-	-	(1,314,370)
Translation reserve	-	-	-	(47,943)	-	(47,943)
Loss after tax	-	-	-	-	(9,315,435)	(9,315,435)
As at 30 June 2020	**133,501,069**	**29,944,260**	**1,217,194**	**(56,013)**	**(18,808,528)**	**12,296,913**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 30 June 2020	Year Ended 30 June 2019
Operating activities		
Net loss before tax	**(9,315,435)**	(5,518,129)
Items not involving cash		
Changes in fair value of biological assets	**(33,513)**	(52,456)
Depreciation and amortisation	**380,370**	94,395
Changes in fair value of financial assets	**-**	346,326
Share-based payments	**1,433,861**	702,743
Interest expense on lease liabilities	**72,666**	-
Interest on convertible notes at amortised cost	**317,589**	-
Fair value changes on convertible note	**2,285,857**	-
Changes in non-cash operating working capital		
Inventory and biological assets	**(816,070)**	(351,134)
Accounts receivable	**(541,377)**	(88,280)
Prepaid expenses	**(29,098)**	124,938
Accounts payable and accrued liabilities	**47,527**	1,263,852
Employee benefits obligations	**149,056**	156,342
Net cash flows from operating activities	**(6,048,567)**	(3,321,403)
Investing activities		
Purchase of plant and equipment	**(6,325,877)**	(374,611)
Purchase of intangible assets	**(484,645)**	(99,255)
Proceeds from sale of financial assets	**-**	1,501,674
Refundable lease deposits	**(269,532)**	-
Net cash flows from investing activities	**(7,080,054)**	1,027,808
Financing activities		
Convertible note issuance	**9,000,000**	1,320,000
Costs associated with the issue of convertible notes	**(524,812)**	-
Payments for lease liabilities	**(228,035)**	-
Proceeds from issue of shares	**10,000,000**	-
Costs associated with the issue of shares	**(1,314,370)**	-
Net cash flows from financing activities	**16,932,783**	1,320,000
Net change in cash and cash equivalents	**3,804,162**	(973,595)
Cash and cash equivalents, beginning of year	**510,286**	1,474,010
Effect of changes in foreign exchange	**(40,884)**	9,871
Cash and cash equivalents, end of year	**4,273,564**	510,286

The accompanying notes form an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Little Green Pharma Ltd ACN 615 586 215 (the "Company", "LGP") was incorporated in Australia and is a for profit company limited by shares. The financial report covers LGP and its controlled entities (the "Group"). The Company's registered office is at Level 2, 66 Kings Park Road, West Perth, 6005 Western Australia.

The Company owns 100% of the shares of Little Green Pharma AG ("LGP Germany"), a company incorporated pursuant to the German Stock Corporation Act. The principal business of LGP Germany is the facilitation of medicinal cannabis sales into Europe.

The Company owns 100% of the shares of Little Green Pharma Switzerland GmbH ("LGP Switzerland"), a company incorporated pursuant to the Swiss Company Register. The principal business of LGP Switzerland is the facilitation of medicinal cannabis sales into Europe.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001 which ensures compliance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Company is a for-profit entity for the purpose of preparing the financial statements which were authorised for issue by the Board of Directors on 31 August 2020.

b) Basis of measurement

These consolidated financial statements have been prepared on the going concern basis which assumes that the Group will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future.

At 30 June 2020, the Group had not yet achieved profitable operations incurring a loss of $9.3 million and experienced cash outflows from operations of $6.0 million. The Group held cash on hand of $4.3 million and has a working capital surplus of $3.6 million. The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The cash flow forecast is dependent on the Group achieving forecast targets for revenue, costs of production and overheads. Key to achieving forecast cash flows is the Group's ability to achieve assumptions for growth rates in patients, market share in Australia and international markets and gross margin. Whilst the Group was only moderately impacted by COVID19 on initial onset of the virus in Australia, there remain the uncertain future impacts of COVID 19 from secondary waves of infection.

At the date of this report and having considered the above factors, the directors are of the opinion that the Group will be able to continue as a going concern.

The consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and to the amount and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company has the following subsidiaries:

- Little Green Pharma AG, incorporated in Germany with Euro functional currency and wholly owned in 2020 and 2019 financial years.
- Little Green Pharma Switzerland GmbH, incorporated in the current financial year in Switzerland with CHF functional currency and wholly owned.

d) Functional and presentation currency

The Group's functional currency is Australian dollars and all amounts presented are in Australian dollars unless otherwise specified.

3. ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents include cash and redeemable short-term deposits with a maturity of less than three months held at major financial institutions.

b) Biological assets

The Group measures biological assets consisting of cannabis plants at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of work in progress or finished goods inventories after harvest.

Gains or losses arising from changes in fair value less cost to sell are included in the results of operations of the related period.

c) Inventory

Inventory which is classified as work in progress consists of harvested or purchased cannabis intended to be processed into oil and is valued at the lower of cost and net realisable value. Harvested cannabis is transferred from biological assets at its fair value at harvest, which becomes deemed cost. Any subsequent post-harvest costs are capitalised to work in progress. Inventory consisting of work in progress and finished goods is written down to its net realisable value if the carrying amount of inventory exceeds its estimated selling price less costs of disposal. Any amount written down is recognised as part of cost of goods sold. Cost is determined using the average cost basis.

d) Plant and equipment

Plant and equipment are carried at cost less accumulated depreciation. Plant and equipment are depreciated over their expected lives based on the following:

- Leasehold improvements – lesser of useful life or term of lease
- Cultivation and production equipment – 5 to 10 years straight line
- Manufacturing and scientific equipment – 5 to 10 years straight line
- Office equipment – 2 to 5 years straight line

Depreciation for plant and equipment is recorded once the asset is available for use.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss.

Residual values and estimated useful lives are reviewed annually.

e) Financial instruments

i. Financial assets

The Group classifies its financial assets initially at fair value at the time of acquisition. Subsequently, they are measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss. Upon initial recognition, management determines the classification of its financial assets based upon the purpose for which the financial assets were acquired. Measurement and classification of financial assets is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Management may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss to prevent a measurement or recognition inconsistency.

Financial assets are derecognised when they mature or are sold and substantially all the risks and rewards of ownership have been transferred. Impairment of trade receivables is determined based on an individual assessment of each receivable taking into account the credit worthiness of the counterparty, the days past due and any subsequent trading history. These losses are recognised separately in the profit or loss.

ii. Amortised cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial assets classified in this category are measured at amortised cost using the effective interest method.

iii. Fair value through profit or loss ("FVTPL")

This category includes quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at fair value through other comprehensive income. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognised in profit or loss.

iv. Financial liabilities

The Group initially recognises financial liabilities at fair value and are subsequently measured at amortised cost.

f) Convertible Notes

Host contract liabilities contained with the convertible notes are initially recognised at fair value and are subsequently recognised on an amortised cost basis until extinguished on conversion or maturity. In addition, subsequent to initial recognition, derivatives associated with the convertible note liability are accounted for at fair value through profit or loss. On maturity, the host liability and related embedded derivative liabilities associated with the convertible note are transferred to equity upon the conversion to shares.

g) Intangible Assets

Intangible assets are recorded at cost and amortised over their estimated useful lives at the following annual rate:

- Computer software – 2 to 5 years straight line
- Patents – 20 years straight line
- Pharmaceutical quality systems – 10 years straight line

Pharmaceutical quality systems are developed to provide the policies, procedures and standards required for Good Manufacturing Practice ("GMP") with amortisation to be recognised from the commencement of manufacturing activities in the Company's own facility.

Estimated useful lives are reviewed annually.

h) Foreign currency translation

Transactions in currencies other than the Australian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rate. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in net loss.

i) Revenue recognition and gross margin

Revenue is recognised at the transaction price, which is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer.

The Group's contracts with customers for the sales of dried cannabis and cannabis oil consist of one performance obligation being the delivery of that product to the customer. Revenue is recognised at that date as this represents the point in time when control has been transferred to the customer with only the passage of time required before payment is due. Payment terms are generally 30 days.

Determining the amount of variable consideration (such as pricing for compassionate access) to recognise is dependent on management's estimate of the most likely amount to which the Group will be entitled and the probability of a significant reversal in that amount. These determinations require management to make estimates based on historical amounts received, current economic conditions, and current industry conditions, in Australia and abroad, adjusted for forward looking information.

Cost of sales represents the deemed cost of inventory that arose from the fair value measurement of biological assets, subsequent post-harvest costs capitalised to inventory, purchased dried cannabis, costs to produce cannabis oils capitalised to inventory, and packaging costs.

j) Research and development

Research costs are expensed as incurred. Development expenditures are capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the development to use or sell the assets. Other development expenditures are expensed as incurred. Other than certain patent development costs, to date, no development costs have been capitalised to date.

k) Employee benefits

Provision is made for employee benefits such as wages, salaries and annual leave arising from services rendered to the end of the reporting period. Employee benefits which are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled. Where an obligation in respect of long term employee benefits arises, that benefit is discounted to determine its present value. Re-measurements are recognised in the profit or loss in the period in which they arise.

l) Share-based payments

Equity settled transactions

The Company grants options and performance rights to directors, officers and employees under the Group's Share Incentive Plan. The fair value of these instruments are is recognised as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when they are an employee for legal or tax purposes (direct employee) or provide services similar to those performed by a direct employee, including directors of the Company. At each financial position reporting date, the amount recognised as an expense is adjusted to reflect the actual number of instruments that are expected to vest. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

No expense is recognised for awards that do not ultimately vest except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition.

Instruments with a graded vesting schedule are accounted for as separate grants with different vesting periods and fair values. The fair value is measured using the Black-Scholes option pricing model or other appropriate models taking into account the terms and conditions upon which the share instruments were granted.

Where the terms of an equity settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification. When an equity award is cancelled, it is treated as if it vests on the date of the cancellation and any expense not recognised for the award is recognised immediately.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Cash settled transactions

A liability is recognised for the fair value of cash settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined based on the expected value of cash to be settled for the liability.

m) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). Receivables and payable are stated inclusive of GST. Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

n) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiary to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

The company has adopted *IFRIC 23 Uncertainty over Income Tax Treatments* from 1 July 2019.

o) Government Grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised in other income on a gross basis.

p) Loss per share

Basic loss per share is computed by dividing total net loss attributable to the Group for the year by the weighted average number of shares of the Group outstanding during the year. When the Group is in a loss position, all potential share issuances on the exercise of options or warrants is anti-dilutive. In the event of a loss position, diluted loss per share is the same a basic loss per share.

q) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- the amount expected to be payable by the lessee under residual value guarantees; and
- the exercise of extension options. The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Impact of implementation of AASB 16 Leases in the current financial year

In the current period, the Group applied AASB 16 Leases (AASB 16), which is effective for annual periods that begin on or after 1 January 2019. AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

Transition impact

The date of initial application of AASB 16 for the Group is 1 July 2019. The Group has applied AASB 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure, recognition and measurement requirements in AASB 16 have not been applied to comparative information.

Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. As a lessee, the Group had one lease, for operational premises, that was previously classified as an operating lease under AASB 117. Under AASB 16, that lease has been recognised as a right-of-use asset and lease liability.

When measuring the lease liabilities for the lease that had been classified as an operating lease, lease liabilities were measured at the present value of remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets were measured at the carrying values as if AASB 16 had been applied since the commencement date discounted using the lessee's incremental borrowing at the date of initial application.

The incremental borrowing rate applied was 4.87%.

The impact of the transition is summarised below:

	$
Right-of-use assets	91,797
Lease liabilities	(91,797)
Retained earnings	-
Operating lease commitments at 30 June 2019 as disclosed under AASB 117	(80,000)
Effect of discounting the above amount	1,921
Present value of the lease payments due in period covered by extension options	(13,718)
Lease liability recognised at 1 July 2019	**(91,797)**

r) Impairment of long-lived assets

At the end of each reporting period, the Group's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognised in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Management considers both external and internal sources of information in determining if there are any indications that the Group's plant and equipment or intangible assets are impaired. Management considers the market, economic, and legal environment in which the Group operates that are not within its control and affect the recoverable amount of its plant and equipment and intangible assets. Management considers the manner in which the plant and equipment and intangible assets are being used or are expected to be used, and indication of economic performance of the assets. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognised previously.

s) Segment reporting

A segment is a component of the Group that engages in business activities in which revenues and expenses are incurred, that has distinguishable financial information available, and whose operating results are regularly reviewed by the chief operating decision maker. The nature of products sold, cultivation and manufacturing processes and customers have similar economic characteristics. The nature of the regulatory environment is consistent in the markets the Group operates in.

t) Significant accounting judgments and estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Actual results may differ from these estimates.

Significant estimates are evaluation and assumptions about the future and other sources of estimation uncertainty that management has made, that could result in a material adjustment to the carrying amounts of assets and liabilities. Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the following:

Biological assets and inventory

The Group measures biological assets consisting of cannabis plants at fair value less cost to sell up to the point of harvest. Calculating the value requires management to estimate, among others, expected yield on harvest, expected selling price and remaining costs to be incurred up to the point of harvest.

The Group measures inventory at the lower of cost and net realizable value and estimates selling price, the estimated costs of completion and the estimated costs necessary to make the sale.

Share based compensation

The fair value of share based compensation expense is estimated using the Black-Scholes option pricing model and relies on a number of estimated inputs, such as the expected life of the option, the volatility of the underlying share price, and the risk-free rate of return. For share based compensation dependent upon milestones, significant estimates are required as to the probability of that milestone being achieved. Changes in the underlying estimated inputs may result in materially different results.

Deferred income taxes

In assessing the probability of realising deferred income tax assets, management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

4. BIOLOGICAL ASSETS

	30 June 2020	30 June 2019
Opening balance	142,953	68,236
Costs incurred	880,320	452,568
Transfer to inventory	(1,042,929)	(430,307)
Unrealised changes in fair value	33,513	52,456
Closing balance	**13,857**	142,953

Biological assets are classified as Level 3 on the fair value hierarchy with the following inputs and assumptions being subject to significant volatility and uncontrollable factors which could significantly affect their fair value in future periods:

- plant waste – wastage of plants based on various stages of growth;
- yield per plant – represents the weighted average grams of dry cannabis expected to be harvested from a cannabis plant, based on historical yields;
- cannabinoid yield per gram – represents the weighted average cannabinoids expected to be obtained from a dry gram of cannabis, based on historical yields;
- selling price, less costs to sell – based on estimated selling price per gram of dry cannabis based on historical sales and expected sales;
- percentage of costs incurred to date compared to the total costs to be incurred (to estimate the fair value of an in-process plant) – represents estimated costs to bring a gram of cannabis from propagation to harvest; and
- stage of plant growth – represents the weighted average age in of the plant out of the average growing cycle as at period end date.

In the current period, the biological assets were approximately 5% complete (30 June 2019 - 50%) as to the next expected harvest date. The average number of days from the point of propagation to harvest is 101 days.

5. INVENTORY

	30 June 2020	30 June 2019
Supplies and consumables	171,702	8,912
Stock in transit	236,042	-
Work in progress	842,888	343,769
Finished goods	98,834	18,106
	1,349,466	370,787

6. TRADE AND OTHER RECEIVABLES

	30 June 2020	30 June 2019
Trade receivables	629,657	88,280
Allowance for expected credit loss	-	-
Total current trade and other receivables	**629,657**	88,280

Trade receivables are recognised and carried at original invoice value less an allowance for any uncollected amounts. They are non-interest bearing and generally on 30 to 45-day terms.

All receivables at 30 June 2020 were within trading terms (none past their due date) and therefore no allowance for expected credit loss has been recognised. The Group has not experienced any historical losses on receivables and hence the estimated credit loss is immaterial.

7. PLANT AND EQUIPMENT

	Leasehold improvements	**Cultivation & production**	**Manufacturing & Scientific equipment**	**Office equipment**	**Total**
Cost					
As at 30 June 2018	168,317	94,923	-	65,653	328,893
Additions	55,536	1,450	333,100	16,805	406,891
As at 30 June 2019	223,853	96,373	333,100	82,458	735,784
Additions	6,312,915	533,111	121,319	46,466	7,013,811
As at 30 June 2020	**6,536,768**	**629,484**	**454,419**	**128,924**	**7,749,595**
Accumulated depreciation					
As at 30 June 2018	(16,218)	(7,578)	(1,474)	(21,318)	(46,588)
Depreciation	(30,491)	(11,886)	(2,152)	(35,050)	(79,579)
As at 30 June 2019	(46,709)	(19,464)	(3,626)	(56,368)	(126,167)
Depreciation	(29,469)	(63,923)	(8,921)	(33,046)	(135,359)
As at 30 June 2020	**(76,178)**	**(83,387)**	**(12,547)**	**(89,414)**	**(261,526)**
Carrying value					
30 June 2019	177,144	76,909	329,474	26,090	609,617
30 June 2020	**6,460,590**	**546,097**	**441,872**	**39,510**	**7,488,069**

8. RIGHT OF USE ASSETS

	30 June 2020	30 June 2019
Opening cost (refer 1(q))	**91,797**	-
Additions	**1,786,028**	-
Depreciation	**(222,677)**	-
Closing balance	**1,655,148**	-

The Group leases both its production facility and its head office. The average lease term of right-to-use assets is 10 years, with available lease extension options.

The Group entered into new leases for buildings and office space during the reporting period. This resulted in the recognition of right-of-use assets of $1.79 million. No right-of-use assets were recognised at 30 June 2019 under the AASB 16 modified retrospective approach.

9. INTANGIBLE ASSETS

	Patents & trademarks	Computer software	Pharmaceutical Quality System	Total
Cost				
As at 30 June 2018	35,572	52,837	-	88,409
Additions	87,055	12,200	-	99,255
As at 30 June 2019	122,627	65,037	-	187,664
Additions	-	32,613	452,032	484,645
Write-off of assets	(10,109)	-	-	(10,109)
As at 30 June 2020	**112,518**	**97,650**	**452,032**	**662,200**
Accumulated amortisation				
As at 30 June 2018	(11,125)	(3,659)	-	(14,784)
Amortisation	(4,816)	(10,000)	-	(14,816)
As at 30 June 2019	(15,941)	(13,659)	-	(29,600)
Amortisation	(10,156)	(12,178)	-	(22,334)
Write-off of assets	10,109	-	-	10,109
As at 30 June 2020	**(15,988)**	**(25,837)**	**-**	**(41,825)**
Carrying value				
30 June 2019	106,686	51,378	-	158,064
30 June 2020	**96,530**	**71,813**	**452,032**	**620,375**

The Pharmaceutical Quality System is under development with the framework available for use once the Group commences operations in its own manufacturing facility. Amortisation will commence on this date.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30 June 2020	30 June 2019
Trade and other payables	**1,472,924**	659,461
Goods and services tax payable	**108,196**	52,686
Accrued liabilities	**376,490**	1,014,575
Salaries expected to be settled through the issuance of shares	**129,383**	-
	2,086,993	1,726,722

Trade and other payables are unsecured, non interest bearing and are normally settled within 30 days.

The Group continues to closely monitor progress of the COVID-19 pandemic and to the extent permitted by the ASX Listing Rules and employment law, the Board, management and employees have agreed to sacrifice 20% of their salaries in shares. The issuance of shares requires approval at the 2020 Annual General Meeting of the Company. If approval is not obtained, the liability will be settled in cash.

11. CONVERTIBLE NOTES

	30 June 2020	30 June 2019
Opening balance	**1,330,645**	-
Euro Bonds at amortised cost	**-**	1,320,000
Cancellation of Euro Bonds	**(1,320,000)**	-
Issuance of replacement Notes for repurchased Bonds (non cash)	**1,350,000**	-
Issuance of Notes for cash proceeds	**9,000,000**	-
Equity portion of the Notes recognised	**(154,313)**	-
Capitalised Note issuing costs	**(524,812)**	-
Fair value change through profit or loss	**2,285,857**	-
Accrued interest expense on the Notes at amortised cost	**317,589**	-
Conversion of Notes into ordinary shares on IPO	**(12,274,321)**	-
Foreign exchange movements	**(10,645)**	10,645
Closing balance	**-**	1,330,645

Convertible Note Issue

On 3 July 2019, the Company issued convertible notes (the "Notes") to raise gross proceeds of $9 million with a maturity date of 31 July 2020 at an interest coupon of 10% p.a. commencing from 1 October 2019 payable on redemption. The Notes mandatorily converted into ordinary shares in the Company on IPO in February 2020 based on a pre-set conversion formula as set out below:

a. Tranche 1 The first 50% of the number of Notes outstanding will convert into ordinary shares of the Company at a price of 30 cents

b. Tranche 2 The second 50% of the Notes outstanding will convert into ordinary shares of the Company at the higher of the IPO price multiplied by 70% and 30 cents

The cost of issuing the convertible Notes amounted to $524,812 which was settled in cash and share options.

Repurchase of Bonds and Issuance of Convertible Notes

During the period, the convertible bonds (the "Bonds") of Euro 825,000 previously issued by the Company's subsidiary, Little Green Pharma AG, on 12 February 2019 were repurchased by the Company. The consideration for the repurchase of the Bonds comprised new convertible Notes with a face value of $1,350,000, which were issued and converted on the same terms and conditions as the Notes as set out above.

Accounting Adopted

Tranche 1 of the Notes had been accounted for as a compound financial instrument containing a debt component subsequently measured at amortised cost using the effective interest rate method and an equity component amounting to $154,313. The equity component was measured as the residual value of the proceeds received for Tranche 1 of $5,175,000 less the fair value of the debt component. The fair value of the debt component is measured as the contractual cash flows receivable discounted at a market related discount rate of a similar debt instrument without an equity conversion feature.

Tranche 2 of the Notes was accounted for as a debt component subsequently measured at amortised cost using the effective interest rate method and an embedded derivative carried at fair value through profit and loss. The initial fair value of the embedded derivative was nil.

In aggregate the proceeds received, including the Notes issued as the consideration of the redemption of the Bonds, were recognised as follows:

	$
Convertible Notes at face value	10,350,000
less Equity portion of the Convertible Notes recognised	(154,313)
Convertible Notes at fair value	10,195,687
Issue costs offset against the value of the Notes	(524,812)

The embedded derivative liability was valued using the Notes conversion formula and other probability assumptions (which is a Level 3 fair value method, resulted in a liability of $2,285,857 recognised in the profit or loss as a fair value loss. Interest expense on the debt components of $317,589 has been charged to the profit or loss for the year ended 30 June 2020.

On 20 February 2020, the Company successfully completed its IPO on the Australian Securities Exchange, and therefore these Notes, and associated accrued interest to that date, were mandatorily converted to equity at that date.

12. SHARE CAPITAL

On 20 February 2020, the Company successfully listed on the Australian Securities Exchange raising gross processed of $10 million through the issuance of 22,222,222 shares. At 30 June 2020, a total of 133,501,069 ordinary shares had been issued (30 June 2019 - 69,579,336).

Non cash activities included issuing of 733,335 ordinary shares in lieu of cash to employees at a weighted average issue price of $0.20 per share (30 June 2019 - 726,670 ordinary shares at a weighted average issue price of $0.13 per share), issuing 5,500,000 ordinary shares on conversion of performance rights to the Executive Director at a weighted average issue price $0.12 per share, issuing 625,000 ordinary shares to Non-executive Directors and employees on the IPO of the Company at a weighted average issue price of $0.30 per share and the mandatory conversion of the Convertible Notes and accrued interest into ordinary shares of the Company on IPO.

13. GENERAL AND ADMINISTRATIVE EXPENSES

	30 June 2020	30 June 2019
Professional, director and consulting fees	**1,244,386**	869,083
Share-based payments	**1,253,956**	702,743
Wages and benefits	**493,093**	416,404
Investor relations and media	**323,200**	313,865
Travel and accommodation	**132,215**	241,963
Depreciation and amortisation	**186,237**	45,050
Other costs	**517,857**	209,695
Offer costs of the ASX IPO	**232,056**	-
Aborted German IPO transaction costs	-	747,392
	4,383,000	3,546,195

14. FINANCE EXPENSE

	30 June 2020	30 June 2019
Interest expense using the effective interest rate method:		
Interest expense on lease liabilities	**72,666**	-
Other interest expenses	**9,780**	4,681
Interest on Convertible Notes at amortised cost	**317,589**	-
	400,035	4,681

15. TAX EXPENSE

As the Group has recorded a net loss for accounting and income tax purposes in both 2020 and 2019, no current income tax expense or deferred tax has been recorded in these financial statements.

The reconciliation of income tax obtained by applying statutory rates to the loss before income tax is as follows:

	30 June 2020	30 June 2019
Loss for the year before income taxes	(9,315,435)	(5,518,129)
Statutory tax rate	27.50%	27.50%
	(2,561,745)	(1,517,485)
Add / (deduct)		
- Non-deductible legal fees	-	12,859
- Impairment of financial asset	-	95,240
- Share based payments	370,922	193,254
- Research and development incentive	(165,071)	(71,646)
- Other	(6,534)	-
- Movement in deferred tax not recognised	2,362,428	1,287,778
Income tax expense	**-**	-

Total tax losses for which no deferred tax assets has been recognised is $5,291,524 (2019: $2,947,353). Utilisation of carry forward tax losses is dependent upon the satisfaction of the requirements of the Income Tax Assessment Act 1936 and 1997 within Australia (continuity of ownership and same business test with no expiry if tests are achieved) and the relevant loss recoupment provisions in subsidiaries in foreign jurisdictions. The Company has no uncertainties over income tax treatments.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30 June 2020	30 June 2019
Biological assets	(9,159)	(14,425)
Prepayments	(9,502)	(1,501)
Plant and equipment	(137,299)	(57,480)
Net lease liability	8,241	-
Employee entitlements	92,371	69,750
Net deferred tax liabilities	(55,348)	(3,656)
Tax losses recognised	55,348	3,656
Net deferred tax asset/liabilities	**-**	-

16. SHARE-BASED PAYMENTS

Options

	Number of options	Weighted average exercise price
Balance at 30 June 2018	**10,850,000**	$0.30
Granted	-	-
Forfeited	-	-
Exercised	-	-
Balance at 30 June 2019	**10,850,000**	$0.30
Granted	**4,073,536**	$0.45
Forfeited	-	-
Exercised	-	-
Balance at 30 June 2020	**14,923,536**	**$0.34**

All options outstanding had vested at 30 June 2020.

During the year ended 30 June 2020, the Company issued 4,073,536 options to advisors for broker services rendered in relation to the issuance of Convertible Notes in the Company. The options vested immediately and were issued in two tranches of 2,036,768 each, exercisable at $0.42 and $0.48 respectively, all with an expiry date of 31 July 2022. The advisors were paid in both cash and options with the cash component representing the fair value of services received. Accordingly, the options have been ascribed nil value.

Performance rights

	Number of shares	Weighted average share price
Balance at 30 June 2018	6,500,000	$0.12
Granted	733,335	$0.20
Forfeited	-	-
Exercised	-	-
Balance at 30 June 2019	**7,233,335**	$0.13
Granted	6,000,000	$0.40
Forfeited	-	-
Exercised	(6,233,335)	$0.13
Balance at 30 June 2020	**7,000,000**	**$0.36**

Executive Director Performance Rights

On 19 September 2017, as part of Angus Caithness's agreement, he was granted 6,500,000 performance rights with the following milestones and vesting conditions:

- 3,000,000 performance rights on the first saleable product being produced (achieved in financial year 30 June 2019)
- 1,000,000 performance rights on the first renewal of the Company's cultivation licence (achieved in financial year 30 June 2019)
- 1,500,000 performance rights on a change of control or an initial public offering (achieved in financial year 30 June 2020)
- 1,000,000 performance rights on achieving a market capitalisation of $100m

Performance rights for which a milestone has been achieved, also had a time served requirement and vested over the 3 year contract period unless there was an IPO or change of control in which case they vested immediately. On IPO, 5,500,000 performance rights were exercised.

Employee Performance Rights

In the year ended 30 June 2019, employees were issued 733,335 performance rights which vested between the issue date and 1 July 2021 unless there was an initial public offering in which case there was accelerated vesting. These performance rights vested and were exercised as part of the IPO.

Executive Performance Rights

On 11 December 2019, the Board resolved to issue a total of 6,000,000 performance rights in three tranches of 500,000 each to senior management, totalling 1,500,000 rights per employee. Each performance right entitles the holder to acquire one fully paid share for nil consideration, subject to certain vesting conditions being met.

When a share price vesting hurdle is satisfied (within three years of grant date), and if the employee is still employed by the Group, then the employee will receive:

- 33.3% of the performance rights immediately;
- 33.3% on the first anniversary of the milestone being achieved; and
- 33.3% on the second-year anniversary of the milestone being achieved.

If the vesting hurdle is not met within three years of the grant date, the rights will lapse.

In determining the value of the performance rights, the Company used an appropriate valuation model.

Assumptions	Tranche 1	Tranche 2	Tranche 3
Grant date	11 Dec 2019	11 Dec 2019	11 Dec 2019
Grant date share price used	$0.45	$0.45	$0.45
Exercise price	Nil	Nil	Nil
Vesting hurdle	$0.55	$0.65	$0.75
Performance period (years)	3	3	3
Expected future volatility	70%	70%	70%
Risk free rate	0.73%	0.73%	0.73%
Dividend yield	0%	0%	0%
Expiry date	24 Oct 2024	24 Oct 2024	24 Oct 2024
Grant date fair value	$0.42	$0.40	$0.37

Key Employee and Director Retention Plan

During the year, the Board resolved subject to obtaining Shareholder approval at the Annual General Meeting in November 2020, to issue 1,200,000 performance rights to employees and Non-executive Directors with vesting occurring on the third anniversary of the IPO date (February 2023). Each performance right has a nil exercise price and a fair value of $0.30.

Employee Share Incentive Plan

During the year, the Board resolved subject to obtaining Shareholder approval at the Annual General Meeting in November 2020, to issue up to 1,166,000 performance rights to employees other than employees entitled to the Executive Performance Rights. Vesting of the performance rights is dependent on the employee remaining in service at the date of issue and the employee meeting performance conditions by 31 December 2020. Each performance right has a nil exercise price, expires on 15 January 2021 and has a fair value of between $0.38 and $0.45.

17. COMMITMENTS

	30 June 2020	30 June 2019
Low value leases not recognised as a liability		
Non-cancellable operating leases contracted for but not capitalised:		
Not later than 12 months	**1,416**	80,000
Between 12 months and 5 years	**2,360**	-
	3,776	80,000
Operating leases recognised as a liability		
Non-cancellable operating leases contracted for and capitalised:		
Not later than 12 months	**318,983**	-
Between 12 months and 5 years	**1,031,996**	-
	1,350,979	-

The Group leases both its production facility and its head office. At 30 June 2020 the Group had $320,399 minimum lease payments under non-cancellable operating leases due within less than one year (30 June 2019 - $80,000 less than one year).

18. FINANCIAL INSTRUMENTS

		30 June 2020		30 June 2019	
	Level	Fair value	Carrying value	Fair value	Carrying value
Financial assets					
Amortised Cost					
Cash and cash equivalents		**4,273,564**	**4,273,564**	510,286	510,286
Accounts receivable		**629,657**	**629,657**	88,280	88,280
Refundable deposits		**340,229**	**340,229**	70,697	70,697
Financial liabilities					
Amortised Cost					
Accounts payable and accrued liabilities		**2,086,993**	**2,086,993**	1,726,722	1,726,722
Convertible notes	3	-	-	1,330,645	1,330,645

The carrying value of the cash and cash equivalents, accounts receivable, refundable deposits, accounts payable and accrued liabilities approximate the fair value because of the short-term nature of these instruments. In the prior year, the carrying value of the Convertible Notes represented their fair value as the coupon rate approximates the market interest rate.

For financial assets and liabilities carried at fair value, the Group refers to IFRS 13 hierarchy levels to categorise the valuation method used:

LEVEL 1

Valuation method based on quoted prices (unadjusted) in active markets for identical financial assets and liabilities.

LEVEL 2

Valuation method based on inputs other than quoted prices included in Level 1 that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices).

LEVEL 3

Valuation method based on using inputs not observable in the market using appropriate valuation models, including discounted cash flow modelling.

The Group is exposed to varying degrees to a variety of financial instrument related risks:

Currency risk

The Company's functional and presentation currency is the Australian dollar and the majority of its assets, liabilities, revenue and expenditures are Australian dollar denominated. The Company's German subsidiary has a Euro functional currency and the majority of its assets, liabilities and expenditures are Euro denominated and its Swiss subsidiary has a CHF functional currency and the majority of its assets, liabilities and expenditures are Swiss denominated.

Credit risk

Credit risk is the risk of an unexpected loss to the Group if a customer or third-party to a financial instrument fails to meet its contractual obligations. The Group's maximum exposure to credit risk as at 30 June 2020 is the carrying value of its financial assets. The Group's cash and refundable deposits are predominately held in large Australian financial institutions. With regard to receivables, the Group's exposure to credit risk is to a limited number of counterparties who are provided credit in the normal course of business. The Group has not experienced any historical losses on receivables and hence the estimated credit loss is immaterial.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Group to cash flow interest rate risk. The Group does not hold any financial liabilities with variable interest rates. The Group does maintain bank accounts which earn interest at variable rates, but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations associated with financial liabilities. The Group manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. All liabilities other than lease liabilities (refer Note 8) fall due within 6 months with the carrying amount equalling total contractual cashflows.

19. CAPITAL MANAGEMENT

The Group's objective when managing its capital is to ensure sufficient debt and equity financing to fund its planned operations in a way that maximises the shareholder return given the assumed risks of its operations. Through the ongoing management of its capital, the Company will modify the structure of its capital based on changing economic conditions. In doing so, the Company may issue new shares or take on debt. Annual budgeting is the primary tool used to manage the Group's capital. Updates are made as necessary to both capital expenditure and operational budgets in order to adapt to changes in risk factors, proposed expenditure programs and market conditions.

20. OPERATING SEGMENTS

The Group's Managing Director who is the chief operating decision maker manages the business, makes resource allocation decisions and assesses performance based on the operations as a whole and therefore the consolidated financial statements represent the single operating segment. The Group derived its revenue in Australia by selling medicinal cannabis products.

21. PARENT ENTITY

The financial information for the parent entity, Little Green Pharma Ltd, has been prepared on the same basis as the consolidated financial statements with the exception of its investment in its subsidiaries which have been accounted for at cost.

	30 June 2020	30 June 2019
Total current assets	**6,665,011**	1,012,849
Total non-current assets	**10,165,499**	919,490
Total assets	**16,830,510**	1,932,339
Current Liabilities	**1,695,863**	934,861
Non current liabilities	**1,429,449**	1,202,384
Total liabilities	**3,125,312**	2,137,245
Share capital	**29,944,260**	7,317,514
Reserves	**1,217,194**	895,581
Accumulated deficit	**(17,456,256)**	(8,418,001)
Total shareholders' equity and net assets/(liabilities)	**13,705,198**	(204,906)
Net loss and comprehensive loss	**(9,038,255)**	(4,443,037)

22. RELATED PARTY TRANSACTIONS

	Salaries and Fees[1]	Short term Incentive[2]	Post employment	Share based payments	Other[3]	Total
As at 30 June 2020						
Directors						
Michael Lynch-Bell	**58,922**	-	**5,303**	**98,173**	-	**162,398**
Dr Neale Fong	**31,966**	-	**3,037**	**48,833**	-	**83,836**
Fleta Solomon	**163,761**	**150,000**	**47,048**	**139,180**	**121,857**	**621,846**
Angus Caithness	**174,663**	**150,000**	**12,635**	**377,473**	**3,500**	**718,271**
	429,312	**300,000**	**68,023**	**663,659**	**125,357**	**1,586,351**
As at 30 June 2019						
Directors						
Michael Lynch-Bell	-	-	-	20,000	-	20,000
Dr Neale Fong	-	-	-	20,000	-	20,000
Fleta Solomon	120,000	-	11,400	-	-	131,400
Angus Caithness	100,000	-	-	231,884	-	331,884
	220,000	-	11,400	271,884	-	503,284

1 Salaries and fees includes an accrued amount expected to be settled in shares subject to approval at the annual general meeting of the Company in November 2020. This amount relates to the salary and fee reduction of 20% from 1 April 2020.

2 Short term incentives include $50,000 Short Term Incentive for 31 December 2019 and $100,000 IPO incentive payment for both Ms Solomon and Mr Caithness.

3 Cost of living allowance for Ms Solomon in Switzerland; car parking for Mr Caithness

As part of the relocation of Ms Solomon to Switzerland, the Company paid the deposit for the lease of her rental premises of CHF30,000. This amount will be refunded to the Company on the expiry of the lease.

23. AUDITORS' REMUNERATION

The auditor of the Group is Deloitte Touche Tohmatsu.

	30 June 2020	30 June 2019
Amounts received or due and receivable by Deloitte for:		
Audit or review of financial reports		
- Group	86,024	52,928
Other assurance services		
- Preparation of Investigation Accountants' Report	51,700	-
Other services		-
- International Employment Tax advice	1,100	-
	138,824	52,928

24. IMPACTS AND RESPONSE TO COVID-19

The Company has taken measures to protect the health and welfare of its staff, maintain cultivation and manufacturing operations, review its cost base, manage cost exposure and counterparty risk, apply for cost relief and Government assistance where available, secure supply chains of critical materials and consumables and defer non-essential research and development. The Company has received the Cashflow Boost of $50,000 as well as $120,000 in Job Keeper payments from the Federal Government to support working capital requirements. The Company expects to receive Job Keeper grants until September 2020.

The Company has also received $150,000 in Western Australian Government grants under the Value Add Agribusiness Investment Attraction Fund's latest funding round. The grant will support an advanced new manufacturing facility containing clean rooms, and processing and packaging areas to produce medical-grade cannabis products for Australian and European patients.

In addition, from 1 April 2020 and 1 May 2020 respectively, executive and staff salaries were reduced by up to 20%. To the extent permitted by the ASX Listing Rules and applicable laws, and subject to shareholder approval, the Company proposes to issue equity to these executives and staff, with issued securities escrowed until 31 March 2021.

These measures are to ensure LGP remains well positioned to pursue opportunities post COVID-19.

25. EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year end that has significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Group in subsequent accounting periods.

DIRECTORS DECLARATION

The directors of the Company declare that:

1. The financial statements and notes for the period ended 30 June 2020 are in accordance with the Corporations Act 2001 and:
   a. comply with Australian Accounting Standards, which, as stated in basis of preparation Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position and performance of the Company;

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Michael Lynch Bell
Chair

Fleta Solomon
Managing Director

31 August 2020

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SHAREHOLDERS INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 27 August 2020.

Distribution of equity securities

ORDINARY SHARE CAPITAL

133,633,069 fully paid ordinary shares are held by 2,367 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends. The number of shareholders, by size of holding are:

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 - 1,000	24	8,749	0.01
1,001 - 5,000	1,284	3,322,545	2.49
5,001 - 10,000	362	2,833,644	2.12
10,001 - 100,000	575	17,803,174	13.32
100,001 Over	122	109,664,957	82.06
Total	2,367	133,633,069	100.00

There are 421 holdings less than a marketable parcel.

Substantial shareholders

NAME	UNITS	% UNITS
ELIXXER LTD	29,488,316	22.09
MS FLETA JENNIFER SOLOMON	19,600,000	14.67

Twenty largest holders of quoted equity securities

NAME	UNITS	% UNITS
ELIXXER LTD	25,045,896	18.72
MS FLETA JENNIFER SOLOMON	19,600,000	14.65
BANQUO CONSULTING PTY LTD	5,500,000	4.11
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	3,913,238	2.93
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,258,423	2.44
NATIONAL NOMINEES LIMITED	3,154,178	2.36
MUTUAL TRUST PTY LTD	2,772,251	2.07
TR NOMINEES PTY LTD	2,656,264	1.99
TIGA TRADING PTY LTD	2,255,187	1.69
MS JENNY LORRAINE MCKAY <J&K MCKAY FAMILY A/C>	2,016,669	1.51
CORPSERV PTY LTD	1,700,000	1.27
BENONI PTY LTD <THE MKJ SUPER FUND A/C>	1,684,000	1.26
MS MARY BERNADETTE DAVIS	1,337,500	1.00
MR SEAN EDWARD REID + MS LOUISE JANE PILKINGTON	1,272,600	0.95
HEAVENLY STAR PTY LTD <HEAVENLY STAR S/FUND A/C>	1,250,000	0.94
PFL GREEN GROWTH PTY LTD	1,111,111	0.83
YASELLERAPH FINANCE PTY LTD <YASELLERAPH FINANCE A/C>	1,105,160	0.83
INTERDALE PTY LTD <MAPLE SUPER FUND A/C>	1,009,889	0.75
LIPSMACKERS PTY LTD <THE FERRERO FAMILY A/C>	1,000,000	0.75
UBS NOMINEES PTY LTD	1,000,000	0.75

OPTION HOLDINGS

The Company has the following classes of options on issue at 27 August 2020 as detailed below.
Options do not carry any rights to vote and are held by 15 individuals.

CLASS		TERMS	No. OF OPTIONS
LGPOPT1	UNLISTED OPTIONS	Exercisable at $0.30 expiring on or before 28 February 2022	3,500,000
LGPOPT2	UNLISTED OPTIONS	Exercisable at $0.30 expiring on or before 31 January 2021	4,000,000
LGPOPT3	UNLISTED OPTIONS	Exercisable at $0.30 expiring on or before 31 December 2020	2,586,000
LGPOPT4	UNLISTED OPTIONS	Exercisable at $0.42 expiring on or before 31 July 2022	2,036,768
LGPOPT5	UNLISTED OPTIONS	Exercisable at $0.48 expiring on or before 31 July 2022	2,036,768
			14,159,536

The number of optionholders, by size of holding are:

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	2	128,000	0.90
100,001 Over	13	14,031,536	99.10
Total	15	14,159,536	100.00

The following Option holders hold more than 20% of a particular class of the Company's Unlisted Options.

HOLDER	LGPOPT1	LGPOPT2	LGPOPT3	LGPOPT4	LGPOPT5
MR ANGUS CAITHNESS	3,500,000	-	-	-	-
ANCESTRAL PTY LTD <THE MILLENNIUM A/C>	-	1,000,000	-	-	-
MR EAN ALEXANDER <THE ALEXANDER FAMILY A/C>	-	1,000,000	-	-	-
MR PAUL LONG <THE LONG A/C>	-	1,000,000	-	-	-
BAROUDEUR PTY LTD <THE VAN HAZEL FAMILY A/C>	-	1,000,000	-	-	-
CG NOMINEES (AUSTRALIA) PTY LTD	-	-	-	2,036,768	2,036,768

CONSISTENCY WITH BUSINESS OBJECTIVES – ASX LISTING RULE 4.10.19

The Company states that it has not used cash and assets in a form readily convertible to cash at the time of admission in a way inconsistent with its business objectives.

ESCROW SECURITIES

The following securities are subject to ASX escrow:

CLASS	ESCROW TERM	UNITS
Fully paid ordinary shares	27 September 2020	1,392,855
Fully paid ordinary shares	5 February 2021	1,561,636
Fully paid ordinary shares	19 February 2022	54,034,703
Unlisted options (LGPOPT1)	19 February 2022	3,500,000
Unlisted options (LGPOPT4)	19 February 2022	2,036,768
Unlisted options (LGPOPT5)	19 February 2022	2,036,768
Performance rights (CLASS B)	19 February 2022	1,000,000
Performance rights (CLASS C)	19 February 2022	2,000,000
Performance rights (CLASS D)	19 February 2022	2,000,000
Performance rights (CLASS E)	19 February 2022	2,000,000

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little green pharma