

LITTLE GREEN PHARMA

ABN 44 615 586 215

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2021



little
green
pharma

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We're big on
changing lives.

We are passionate about transforming lives. Our vision is to reimagine cannabis medicines and do extraordinary things for our patients. It's at the heart of everything we do and defines our culture. We are proud of what we've done and where we're going.

We are Little Green Pharma

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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Auditor

Deloitte Touche Tohmatsu

Tower 2, Brookfield Place

123 St George's Terrace

Perth, Western Australia 6000

Share Registry

Computershare Investor Services Pty Ltd

Level 11, 172 St George's Terrace

Perth, Western Australia 6000

Website: www.investorcentre.com/contact

Stock Exchange

Australian Securities Exchange Ltd

Central Park, 152-158 St George's Terrace

Perth, Western Australia 6000

ASX Code: LGP

RESULTS FOR ANNOUNCEMENT TO THE MARKET

27 FEBRUARY 2022

| | |
|-------------------------------|-------------------------|
| Name of company | Little Green Pharma Ltd |
| ABN | 44 615 586 215 |
| Reporting period | 31 December 2021 |
| Previous corresponding period | 31 December 2020 |

Half-year Financial Report for the period ended 31 December 2021

This page and the following pages comprise the half year end information given to the ASX under Listing Rule 4.2A.

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

| | | | | | |
|---|-----------|----------------------|------------|-----------|----------------------|
| Revenue from ordinary activities | Up | \$3,550,267 | 94% | to | \$7,321,504 |
| Loss from ordinary activities before and after tax | Up | \$(9,062,184) | N/A | to | \$(8,557,855) |

Revenue from ordinary activities of \$7,321,504 consists primarily of revenue from the sale of medicinal cannabis products. In addition, the Company recognised an accrual of \$983,820 relating to the research and development incentive. The net loss from ordinary activities increased from a net profit after tax of \$484,329 to a net loss after tax of \$8,557,855 predominately due to the increased expenditure on the development of new medicinal cannabis strains at the Company's Danish facility.

Dividends

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

| Net tangible asset backing | Reporting period | Previous period |
|---|-------------------------|------------------------|
| Net tangible assets per ordinary security | \$0.370 | \$0.103 |

Change in ownership of controlled entities

There were no changes in ownership of any controlled entities during the period.

Accounting standards used by foreign entities

All subsidiaries use International Financial Reporting Standards.

Independent Auditor's Review

The Half-year Financial Report contains an Independent Auditor's Review 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

DIRECTORS' REPORT

The directors present the Half Year Financial Report for the half year ended 31 December 2021 and the auditor's review report thereon.

REVIEW OF OPERATIONS

Continuation of early mover strategy into new, under-supplied markets

In line with LGP's global strategy, the reporting period and early 2022 were marked by LGP's continued early penetration into future key markets and jurisdictions with currently highly limited supply options.

During the reporting period and early 2022, LGP was granted the first local registration for cannabis medicines in Denmark, signed an exclusive distribution agreement with PharmaServe Hellas (**PharmaServe**) for Greece, and was awarded an Italian Government tender to supply cannabis flower into Italy. Each of these territories are distinguished by having only one or two global cannabis suppliers qualified or registered to supply into these markets.

These pathways complement LGP's existing distribution networks and agreements into other, limited-supply territories, including France, where LGP is one of only four qualified suppliers and Poland, where LGP anticipates being one of the first registered products on the market.

Meanwhile, the Company continues to negotiate new pathways for supply from its Danish and Australian facilities with a range of highly prospective UK and EU territories while at the same time growing its brand presence in Germany (through its distribution agreements with AMP Medical Products (**AMP**) and Demecan GmbH).

These new and existing EU and UK distribution pathways give LGP potential access to a population of over 350 million, representing 68% of the EU and UK population.

LGP's ability to rapidly move into new, highly prospective territories represents a continuation of LGP's historical success as an industry first-mover,

including as Australia's first local producer of cannabis oil and first exporter of medicinal cannabis products from Australia. LGP believes this strategy and its development of a global, multi-jurisdiction distribution platform will enable both substantial future sales and grow LGP brand recognition in markets for its future registered cannabis medicines.

Record revenue growth

The Company continued to achieve strong growth during the reporting period, with a significant increase in revenue to \$7,321,504, up 94% compared to the previous corresponding period (31 December 2020: \$3,771,237).

Australia

In August 2021, the Group completed its ~\$5.9 million acquisition of the properties underlying its cultivation and manufacturing facilities in Western Australia, as well as two adjoining properties. Consideration for the acquisition was a cash payment of \$4 million with the balance in scrip. Since acquisition the Company has continued its Phase 3 expansion of its manufacturing facilities which are anticipated to be operational in the coming months.

During the reporting period, enrolments for the QUEST Initiative closed with over 3,000 participants, making it the world's largest longitudinal study for medicinal cannabis. Results of this study will be released later this year. With the success of this study, a second QUEST Initiative will be undertaken later this year, which will include both LGP medical cannabis oil and flower products.

In addition, LGP partnered with Curtin University and Professor Marco Falasca to research the efficacy of medicinal cannabis in the treatment of obesity, and the Company's refractory pain study results were also accepted for publication in the peer-reviewed journal, "Medical Cannabis and Cannabinoids", representing successful clinical

validation of LGP's Classic 10:10 product. The Company also held a pre-submission meeting with the TGA during which it presented its clinical trial strategy for its Schedule 3 CBD medication. Based on that meeting the Company has a clear understanding of the pathway to product registration.

LGP continued to develop its psychedelics business within its wholly-owned subsidiary Reset Mind Sciences Limited (**Reset**), with the grant of an endorsement permitting the supply of psilocybin on its Schedule 9 licence, its recruitment of a Non-Executive Chair and Advisory Board for Reset, and its continued development of a research protocol for its proposed clinical trial.

Denmark

During the half year, LGP's Danish facility commenced delivery of cannabis flower medicine to Australia and, following a robust 2.5-year regulatory process, was also granted a product registration for its Billy Buttons flower medicine as 'Billinol LGP', the first locally registered cannabis medicine in Denmark.

LGP Denmark also received its GMP certificate to provide analytical testing services to third parties. Given the limited number of GMP certified cannabis testing laboratories in Europe LGP has commenced offering testing services to other Danish and European medicinal cannabis producers.

Meanwhile, the Group procured a suite of new cannabis genetic lines for development for both its Western Australian and Danish facilities in order to expand its product offering.

EVENTS SUBSEQUENT TO BALANCE DATE

In addition to its entry into distribution agreements with PharmaServe and AMP, as well as its successful award in an Italian Government tender, on 24 February 2022 the Company signed a ~\$3.8 million loan finance facility secured against its Western Australian production facilities, as well as a \$2.0 million revolving equipment finance facility from National Australia Bank.

In February 2022, the Company also announced its intention to demerge LGP's psychedelics business as a public unlisted entity rebranded as Reset Mind Sciences Limited and commenced construction of its psilocybin mushroom cultivation facility at LGP's Western Australian production site. Reset continues to finalise the development of psychotherapy protocols for its

clinical trial and has received a Federal import permit for the synthetic psilocybin it intends to use in the trial.

On 15 February 2022 the Company also resolved to change its financial year to 1 April to 31 March to align with the current reporting period at the Danish facility and optimise accounting team and consultant availability during the year end process.

On 20 February 2022, 55,534,703 ordinary shares in the Company were also released from ASX escrow.

On 25 February 2022, Angus Caithness (Executive Director) exercised 3.5 million options at \$0.30 raising \$1.05 million.

COVID UPDATE

During the reporting period, LGP experienced various operational interruptions to its business due to COVID-19 and its variants, particularly relating to supply lines and increased logistics costs and delays.

BOARD OF DIRECTORS

The Directors of Little Green Pharma Ltd during the reporting period, post-balance date period, and as at the date of this Report are:

-  Mr Michael Lynch-Bell - Independent Non Executive Chair
-  Dr Neale Fong - Independent Non Executive Director
-  Ms Fleta Solomon - Chief Executive Officer
-  Mr Angus Caithness - Executive Director

DIVIDENDS

There were no dividends paid or declared during the period (prior period: nil).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001 is set out on page 20 of this report.



Michael Lynch Bell
Independent Non-Executive Chair

27 February 2022

Financial Report



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | 31 December 2021 | 30 June 2021 |
|--|------|---------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 24,928,446 | 40,269,169 |
| Accounts receivable | | 3,998,657 | 3,656,846 |
| Biological assets | 3 | 2,072,700 | 1,985,072 |
| Inventory | 3 | 12,231,139 | 7,253,866 |
| Prepaid expenses | | 673,772 | 868,086 |
| Total current assets | | 43,904,714 | 54,033,039 |
| Property, plant and equipment | 4 | 61,404,123 | 54,065,269 |
| Right-of-use assets | 5 | 210,900 | 1,345,710 |
| Refundable deposits | | 193,673 | 834,085 |
| Intangible assets | | 667,875 | 714,212 |
| Other financial assets | | 42,895 | - |
| Total non-current assets | | 62,519,466 | 56,959,276 |
| Total assets | | 106,424,180 | 110,992,315 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 5,112,327 | 3,486,056 |
| Loan note | | 11,842,668 | 11,365,891 |
| Lease liability | | 98,495 | 204,644 |
| Employee benefit obligations | | 1,084,777 | 830,817 |
| Total current liabilities | | 18,138,267 | 15,887,408 |
| Lease liability | | 143,603 | 1,215,832 |
| Employee benefit obligations | | 14,315 | - |
| Total non-current liabilities | | 157,918 | 1,215,832 |
| Total liabilities | | 18,296,185 | 17,103,240 |
| Net assets | | 88,127,995 | 93,889,075 |
| Shareholders' equity | | | |
| Share capital | 6 | 88,449,175 | 86,197,119 |
| Reserves | | 2,461,648 | 1,896,929 |
| Accumulated profit/(deficit) | | (2,782,828) | 5,795,027 |
| Total shareholders' equity | | 88,127,995 | 93,889,075 |

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| Note | Half year ended 31 December 2021 | Half year ended 31 December 2020 |
|--|--|--|
| Revenue | | |
| Medicinal cannabis sales | 7,226,486 | 3,771,237 |
| Commercial rent | 95,018 | - |
| Cost of sales | | |
| Cost of goods sold | (4,284,106) | (1,669,249) |
| Gain on changes in fair value of biological assets | 1,444,615 | 427,283 |
| Gross margin | 4,482,013 | 2,529,271 |
| Expenses | | |
| General and administrative | (2,342,568) | (1,526,510) |
| Sales and marketing | (1,978,091) | (579,814) |
| Education | (741,014) | (514,140) |
| Research and development | (7,322,691) | (515,781) |
| Licences, permits and compliance costs | (998,498) | (743,654) |
| | (13,382,862) | (3,879,899) |
| Loss from operations | (8,900,849) | (1,350,628) |
| Other income | 50,534 | - |
| Interest income | 23,793 | 9,576 |
| Finance expense | (369,142) | (38,860) |
| Research development incentive | 983,820 | 1,490,103 |
| Government grants | 8,825 | 384,183 |
| Net foreign exchange | (366,795) | (10,045) |
| Loss on disposal | (8,041) | - |
| Profit/(loss) before tax | (8,577,855) | 484,329 |
| Tax expense | - | - |
| Profit/(loss) after tax | (8,577,855) | 484,329 |
| Other comprehensive income | | |
| Exchange fluctuations on translation of foreign operations | (458,122) | (51,066) |
| Total comprehensive profit/(loss) net of tax | (9,035,977) | 433,263 |
| Net profit/(loss) per share | | |
| Basic (cents) | (3.65) | 0.36 |
| Diluted (cents) | (3.65) | 0.32 |
| Weighted average number of shares outstanding | | |
| Basic | 235,107,210 | 134,428,608 |
| Diluted | 235,107,210 | 153,212,524 |

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital | | Share based payment reserve | Translation reserve | Accumulated (deficit)/profit | Total |
|-----------------------------------|---------------|------------|-----------------------------------|------------------------|---------------------------------|-------------|
| | No. Shares | \$ | | | | |
| As at 30 June 2020 | 133,501,069 | 29,944,260 | 1,217,194 | (56,013) | (18,808,528) | 12,296,913 |
| Loss after tax | - | - | - | - | 484,329 | 484,329 |
| Translation reserve | - | - | - | (51,066) | - | (51,066) |
| Total comprehensive income | - | - | - | (51,066) | 484,329 | 433,263 |
| Options exercised | 3,150,000 | 945,000 | - | - | - | 945,000 |
| Share based payments | - | - | 552,188 | - | - | 552,188 |
| Shares in lieu of payments | 2,097,677 | 726,542 | - | - | - | 726,542 |
| As at 31 December 2020 | 138,748,746 | 31,615,802 | 1,769,382 | (107,079) | (18,324,199) | 14,953,906 |
| As at 30 June 2021 | 232,607,948 | 86,197,119 | 1,857,348 | 39,581 | 5,795,027 | 93,889,075 |
| Loss after tax | - | - | - | - | (8,577,855) | (8,577,855) |
| Translation reserve | - | - | - | (458,122) | - | (458,122) |
| Total comprehensive income | - | - | - | (458,122) | (8,577,855) | (9,035,977) |
| Share placements | 2,713,801 | 1,799,250 | - | - | - | 1,799,250 |
| Share based payments | - | - | 1,373,141 | - | - | 1,373,141 |
| Transfer on exercise | 620,000 | 350,300 | (350,300) | - | - | - |
| Shares in lieu of salary | 269,465 | 102,506 | - | - | - | 102,506 |
| As at 31 December 2021 | 236,211,214 | 88,449,175 | 2,880,189 | (418,541) | (2,782,828) | 88,127,995 |

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Half year ended 31 December 2021 | Half year ended 31 December 2020 |
|---|--|--|
| Operating activities | | |
| Net profit/(loss) before tax | (8,577,855) | 484,329 |
| Items not involving cash | | |
| Changes in fair value of biological assets | (1,444,615) | (427,283) |
| Depreciation and amortisation | 925,104 | 246,384 |
| Share-based payments | 1,656,377 | 1,310,680 |
| Interest income | (23,793) | - |
| Interest expense | 317,635 | 34,717 |
| Unrealised foreign exchange differences | 422,068 | - |
| Gain on derecognition of lease asset | (50,534) | - |
| Loss on disposal | 8,041 | - |
| Changes in non-cash operating working capital | | |
| Inventory and biological assets | (3,620,286) | (392,881) |
| Accounts receivable | (318,018) | (510,562) |
| Prepaid expenses | 194,314 | (235,138) |
| Accounts payable and accrued liabilities | 1,543,058 | 23,884 |
| Employee benefits obligations | 268,275 | (49,225) |
| Net cash flows from operating activities | (8,700,229) | 484,905 |
| Investing activities | | |
| Purchase of plant and equipment | (6,565,166) | (1,018,794) |
| Purchase of intangible assets | (20,103) | (131,597) |
| Net cash flows from investing activities | (6,585,269) | (1,150,391) |
| Financing activities | | |
| Proceeds from issue of shares | - | 945,000 |
| Proceeds from borrowings | - | 1,016,000 |
| Repayment of borrowings | - | (1,016,000) |
| Payments for lease liabilities | (63,101) | (106,484) |
| Net cash flows from financing activities | (63,101) | 838,516 |
| Net change in cash and cash equivalents | (15,348,599) | 173,030 |
| Cash and cash equivalents, beginning of period | 40,269,169 | 4,273,564 |
| Effect of changes in foreign exchange | 7,876 | 2,102 |
| Cash and cash equivalents, end of period | 24,928,446 | 4,448,696 |

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

NOTES TO CONDENSED 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, Western Australia, 6005.

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed consolidated general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Corporations Act 2001 and AASB 134 "Interim Financial Reporting" which ensures compliance with the International Financial Reporting Standards (**IFRS**) IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board.

The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

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 27 February 2022.

b) Basis of measurement

These condensed 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.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the most recent annual financial report for the year ended 30 June 2021. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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:

| Name of Entity | Country of Incorporation | Functional Currency | Ownership | |
|--------------------------------------|--------------------------|---------------------|------------------|--------------|
| | | | 31 December 2021 | 30 June 2021 |
| Little Green Pharma AG | Germany | Euro | 100% | 100% |
| Little Green Pharma Switzerland GmbH | Switzerland | CHF | 100% | 100% |
| LGP Operations Pty Ltd | Australia | AUD | 100% | 100% |
| LGP Holdings Pty Ltd | Australia | AUD | 100% | 100% |
| Reset Mind Sciences Ltd* | Australia | AUD | 100% | 100% |
| Little Green Pharma Denmark ApS | Denmark | DKK | 100% | 100% |

* On 30 September 2021 LGP Alternative Therapies Pty Limited changed its name to Reset Mind Sciences Ltd.

d) Functional and presentation currency

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

e) New and revised Australian Accounting Standards

In the current half year, the Company has applied all new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations or effective for accounting periods starting on or after 1 July 2021.

The adoption did not have any impact to any disclosure or amounts recognised in the condensed consolidated financial half year report.

3. BIOLOGICAL ASSETS AND INVENTORY

The Group's inventory including biological assets is comprised of:

| | 31 December 2021 | 30 June 2021 |
|--------------------------|---------------------|-----------------|
| Biological assets | 2,072,700 | 1,985,072 |
| Work in progress | 9,446,564 | 5,817,760 |
| Finished goods | 2,430,217 | 1,115,633 |
| Supplies and consumables | 354,358 | 320,473 |
| | 14,303,839 | 9,238,938 |

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 the fair value of the biological assets 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 of the plant out of the average growing cycle as at period end date.

In the current period, the biological assets were approximately 47% complete (30 June 2021 - 34%) as to the next expected harvest date. The average number of days from the point of propagation to harvest is 91 days.

A 20% increase or decrease in the estimated yield of cannabis per plant would result in an increase or decrease in the fair value of biological assets of \$414,540 at 31 December 2021 (30 June 2021 - \$140,000). A 25% increase or decrease in the average selling price per gram less cost to sell would result in an increase or decrease in the fair value of the biological assets of \$518,175 at 31 December 2021 (30 June 2021 - \$175,000). At harvest, the estimated fair value of a gram of biomass which is expected to be sold or further processed is \$3.50 (30 June 2021 - \$4.00).

4. PROPERTY, PLANT AND EQUIPMENT

The Group's plant and equipment comprised of:

| | Land & buildings | Leasehold improvements | Production equipment | Office equipment | Total |
|--|-------------------|------------------------|----------------------|------------------|--------------------|
| Cost | | | | | |
| As at 30 June 2020 | - | 6,536,768 | 1,083,903 | 128,924 | 7,749,595 |
| Additions | - | 514,932 | 321,977 | 62,003 | 898,912 |
| Acquisition of subsidiary | 37,034,042 | - | 8,792,065 | 250,303 | 46,076,410 |
| Transfers | - | 301,012 | (274,956) | (26,056) | - |
| Write-off asset | - | (143,575) | - | (53,201) | (196,776) |
| As at 30 June 2021 | 37,034,042 | 7,209,137 | 9,922,989 | 361,973 | 54,528,141 |
| Additions | 7,902,011 | 3,660 | 911,869 | 55,385 | 8,872,925 |
| Transfers | 7,189,151 | (7,189,151) | - | - | - |
| Write-off asset | - | (2,270) | (51,012) | - | (53,282) |
| Effects of movements in exchange rates | (541,209) | - | (173,728) | (3,658) | (718,595) |
| As at 31 December 2021 | 51,583,995 | 21,376 | 10,610,118 | 413,700 | 62,629,189 |
| Accumulated depreciation | | | | | |
| As at 30 June 2020 | - | (76,178) | (95,934) | (89,414) | (261,526) |
| Depreciation | - | (293,172) | (88,368) | (16,582) | (398,122) |
| Transfers | - | (69,936) | 58,040 | 11,896 | - |
| Write-off asset | - | 143,575 | - | 53,201 | 196,776 |
| As at 30 June 2021 | - | (295,711) | (126,262) | (40,899) | (462,872) |
| Depreciation | (314,333) | (172,091) | (239,792) | (81,219) | (807,435) |
| Transfers | (457,640) | 457,640 | - | - | - |
| Write-off asset | - | 2,270 | 42,971 | - | 45,241 |
| As at 31 December 2021 | (771,973) | (7,892) | (323,083) | (122,118) | (1,225,066) |
| Carrying value | | | | | |
| 30 June 2021 | 37,034,042 | 6,913,426 | 9,796,727 | 321,074 | 54,065,269 |
| 31 December 2021 | 50,812,022 | 13,484 | 10,287,035 | 219,582 | 61,404,123 |

During the period, the Group purchased the Australian production facilities for \$5,997,500, of which \$4,198,250 was paid in cash and \$1,799,250 in scrip. The Group has continued its Phase 3 expansion of its manufacturing facilities which are anticipated to be operational in the coming months. Within the additions balance, is the asset under construction balance of \$892,756.

5. RIGHT OF USE ASSETS

The movement associated with the Group's right-of-use assets is as follows:

| | Right of use assets |
|--------------------------------------|---------------------|
| As at 30 June 2020 | 1,655,148 |
| Additions | 18,740 |
| Variations | (151,592) |
| Depreciation | (176,586) |
| As at 30 June 2021 | 1,345,710 |
| Depreciation | (57,468) |
| Terminations | (1,127,876) |
| Gain on derecognition of lease asset | 50,534 |
| As at 31 December 2021 | 210,900 |

The Group's head office lease is for a term of five years expiring 31 August 2024. The Group previously leased the production facility but on 16 August 2021, the land on which the production facility sits along with two adjacent properties were purchased. For further details refer note 4.

6. SHARE CAPITAL

At 31 December 2021 a total of 236,211,214 ordinary shares had been issued (30 June 2021 - 232,607,948).

Non cash investing activities for the half year ended 31 December 2021 included issuing 2,713,801 ordinary shares in lieu of cash at a weighted average issue price of \$0.66 per share, for the acquisition of the production facilities totalling \$1,799,250. Non cash financing activities for the half year ended 31 December 2021 included issuing 889,465 ordinary shares to employees at a weighted average issue price of \$0.51 per share totalling \$452,806.



7. SHARE-BASED PAYMENTS

The Board of Directors has the discretion to determine to whom options, performance rights and other equity instruments will be granted, the number and exercise price as well as the terms and time frames in which they will vest and be exercisable.

Options

| | Number of options | Weighted average exercise price |
|------------------------------------|-------------------|---------------------------------|
| Balance as at 30 June 2020 | 14,923,536 | 0.34 |
| Granted | - | - |
| Forfeited | (500,000) | 0.30 |
| Exercised | (6,850,000) | 0.30 |
| Balance at 30 June 2021 | 7,573,536 | 0.38 |
| Granted | - | - |
| Forfeited | - | - |
| Exercised | - | - |
| Balance at 31 December 2021 | 7,573,536 | 0.38 |

Performance rights

| | Number of rights | Weighted average rights value |
|------------------------------------|------------------|-------------------------------|
| Balance at 30 June 2020 | 7,000,000 | 0.36 |
| Granted | - | - |
| Forfeited | (2,500,000) | 0.29 |
| Exercised | (1,500,000) | 0.42 |
| Balance at 30 June 2021 | 3,000,000 | 0.39 |
| Granted | 4,500,000 | 0.63 |
| Forfeited | - | - |
| Exercised | - | - |
| Balance at 31 December 2021 | 7,500,000 | 0.53 |

On 19 July 2021, the Extra Ordinary General meeting resolved to issue 4,500,000 performance rights. There are three classes of rights, each with 1,500,000 rights which entitles the holder to acquire one fully paid share for nil consideration.

Each class of share right has a price hurdle, being \$0.95, \$1.10 and \$1.25 respectively. A hurdle needs to be satisfied within three years of the grant date and if achieved, and the employee remains employed, then they will receive a third of the performance rights immediately, a third on the first anniversary of the milestone being achieved, and the final third on the second anniversary. If a vesting hurdle is not achieved within three years or the employee leaves, the unvested performance rights lapse.

At 31 December 2021 no performance hurdles had been met.

Retention rights

| | Number of rights | Weighted average rights value |
|------------------------------------|------------------|-------------------------------|
| Balance at 30 June 2020 | 1,200,000 | 0.30 |
| Granted | - | - |
| Forfeited | - | - |
| Exercised | - | - |
| Balance at 30 June 2021 | 1,200,000 | 0.30 |
| Granted | 105,000 | 0.70 |
| Forfeited | - | - |
| Exercised | - | - |
| Balance at 31 December 2021 | 1,305,000 | 0.33 |

During the reporting period, the Company issued 105,000 retention rights to Non-executive Directors with vesting occurring on the fourth anniversary of the IPO date (February 2024). Each retention right has a nil exercise price and a fair value of \$0.70. The retention rights were approved at the Extra Ordinary General meeting.

Employee share incentive plan

During the reporting period the Company issued 620,000 shares and 562,000 share rights under the Employee Share Incentive Plan relating to the financial year ended 30 June 2021.

The equity instruments had a fair value of \$0.565 at grant date. The share rights have a nil exercise price and vest evenly in two tranches on 30 June 2022 and 30 June 2023 assuming the recipient remains employed by LGP.



8. FINANCIAL INSTRUMENTS

The classification of the Group's financial instruments, as well as their carrying amounts and fair values, are as follows:

| | 31 December 2021 | | 30 June 2021 | |
|---|------------------|----------------|--------------|----------------|
| | Fair value | Carrying value | Fair value | Carrying value |
| Financial assets | | | | |
| <i>Amortised Cost</i> | | | | |
| Cash and cash equivalents ⁽¹⁾ | 24,928,446 | 24,928,446 | 40,269,169 | 40,269,169 |
| Accounts receivable ⁽¹⁾ | 3,998,657 | 3,998,657 | 3,656,846 | 3,656,846 |
| Refundable deposits ⁽¹⁾ | 193,673 | 193,673 | 834,085 | 834,085 |
| <i>FVTPL</i> | | | | |
| Other financial assets ⁽²⁾ | 42,895 | 42,895 | - | - |
| Financial liabilities | | | | |
| <i>Amortised Cost</i> | | | | |
| Accounts payable and accrued liabilities ⁽¹⁾ | 5,112,327 | 5,112,327 | 3,486,056 | 3,486,056 |
| Loan note | 11,842,668 | 11,842,668 | 11,365,891 | 11,365,891 |
| Lease liability | 242,098 | 242,098 | 1,585,423 | 1,585,423 |

- (1) The carrying value of the cash and cash equivalents, accounts receivable, refundable deposits, accounts payable and accrued liabilities and loan note approximate the fair value because of the short-term nature of these instruments.
- (2) The Company holds an investment in a non-listed entity. The non-listed shares are not actively traded. As quoted prices in active markets are unavailable, consideration is given to precedent transactions involving the sale of the company's shares, as a basis to assess the value of the equity investment.

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, its Swiss subsidiary has a CHF functional currency and the majority of its assets, liabilities and expenditures are Swiss franc denominated and its Danish subsidiary has a DKK functional currency and the majority of its assets, liabilities and expenditures are Danish Krone denominated other than the Loan note of \$11,842,668 which is denominated in Canadian dollars.

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 31 December 2021 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, long service leave obligations and the Loan note fall due within 6 months with the carrying amount equalling total contractual cashflows other than the Loan note which accrues interest at 5% per annum.

9. OPERATING SEGMENTS

The Group's Chief Executive Officer who is the chief operating decision maker has historically managed the business, made resource allocation decisions and assessed performance based on the operations as a whole and therefore the consolidated financial statements represented the single operating segment. The acquisition of the Denmark facility on 21 June 2021 has resulted in the company now operating in two segments, Australia and Europe. Materially all revenue was earned in the Australian segment during the year. The comparative period is not disclosed as all material assets, liabilities, revenue and expenses were Australian.

| | Australia | Europe |
|---------------------------|-------------------|-------------------|
| Loss before and after tax | (3,025,222) | (5,552,633) |
| Total assets | 52,560,046 | 53,864,134 |
| Total liabilities | (4,391,140) | (13,905,045) |
| Net assets | 48,168,906 | 39,959,089 |

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

11. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report for the year ended 30 June 2021. Please refer to the performance rights and retention rights issued as per note 7.

12. EVENTS AFTER THE REPORTING DATE

In addition to its entry into distribution agreements with PharmaServe and AMP, as well as its successful award in an Italian Government tender, on 24 February 2022 the Company signed a ~\$3.8 million loan finance facility secured against its Western Australian production facilities, as well as a \$2.0 million revolving equipment finance facility from National Australia Bank.

In February 2022, the Company also announced its intention to demerge LGP's psychedelics business as a public unlisted entity rebranded as Reset Mind Sciences Limited and commenced construction of its psilocybin mushroom cultivation facility at LGP's Western Australian production site. Reset continues to finalise the development of psychotherapy protocols for its clinical trial and has received a Federal import permit for the synthetic psilocybin it intends to use in the trial.

On 15 February 2022 the Company also resolved to change its financial year to 1 April to 31 March to align with the current reporting period at the Danish facility and optimise accounting team and consultant availability during the year end process.

On 20 February 2022, 55,534,703 ordinary shares in the Company were also released from ASX escrow.

On 25 February 2022, Angus Caithness (Executive Director) exercised 3.5 million options at \$0.30 raising \$1.05 million.

No other matters or circumstances have arisen since the end of the financial period that have significantly affected, or may significantly affect the operations, results of operations or state of affairs of the Group in subsequent financial years.



DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes for the period ended 31 December 2021 are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards, which, as stated in basis of preparation Note 1 to the half year 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 Group;
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 pursuant to s.303(5) of the Corporations Act 2001.



Michael Lynch-Bell
Independent Non Executive Chair



Fleta Solomon
Chief Executive Officer

27 February 2022



Deloitte Touche Tohmatsu
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The Board of Directors
Little Green Pharma Ltd
Level 2, 66 Kings Park Road
WEST PERTH WA 6005

27 February 2022

Dear Directors,

Auditor's Independence Declaration to Little Green Pharma Ltd

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 review of the half-year financial report of Little Green Pharma Ltd for the half-year ended 31 December 2021, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Nicole Menezes
Partner
Chartered Accountants

10

Independent Auditor's Report



LED
WITHOUT
ILLEGAL
REACH

Medicines Information
used as directed

more below 25°C
in light
G MAY CAUSE DROWSINESS.
DO NOT DRIVE OR OPERATE MACHINERY

Cultivar
(Sathya)



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Independent Auditor's Review Report to the members of Little Green Pharma Ltd

Conclusion

We have reviewed the half-year financial report of Little Green Pharma Ltd (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and 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 annual 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 review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink, appearing to read "Nicole Menezes".

Nicole Menezes

Partner

Chartered Accountants

Perth, 27 February 2022



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