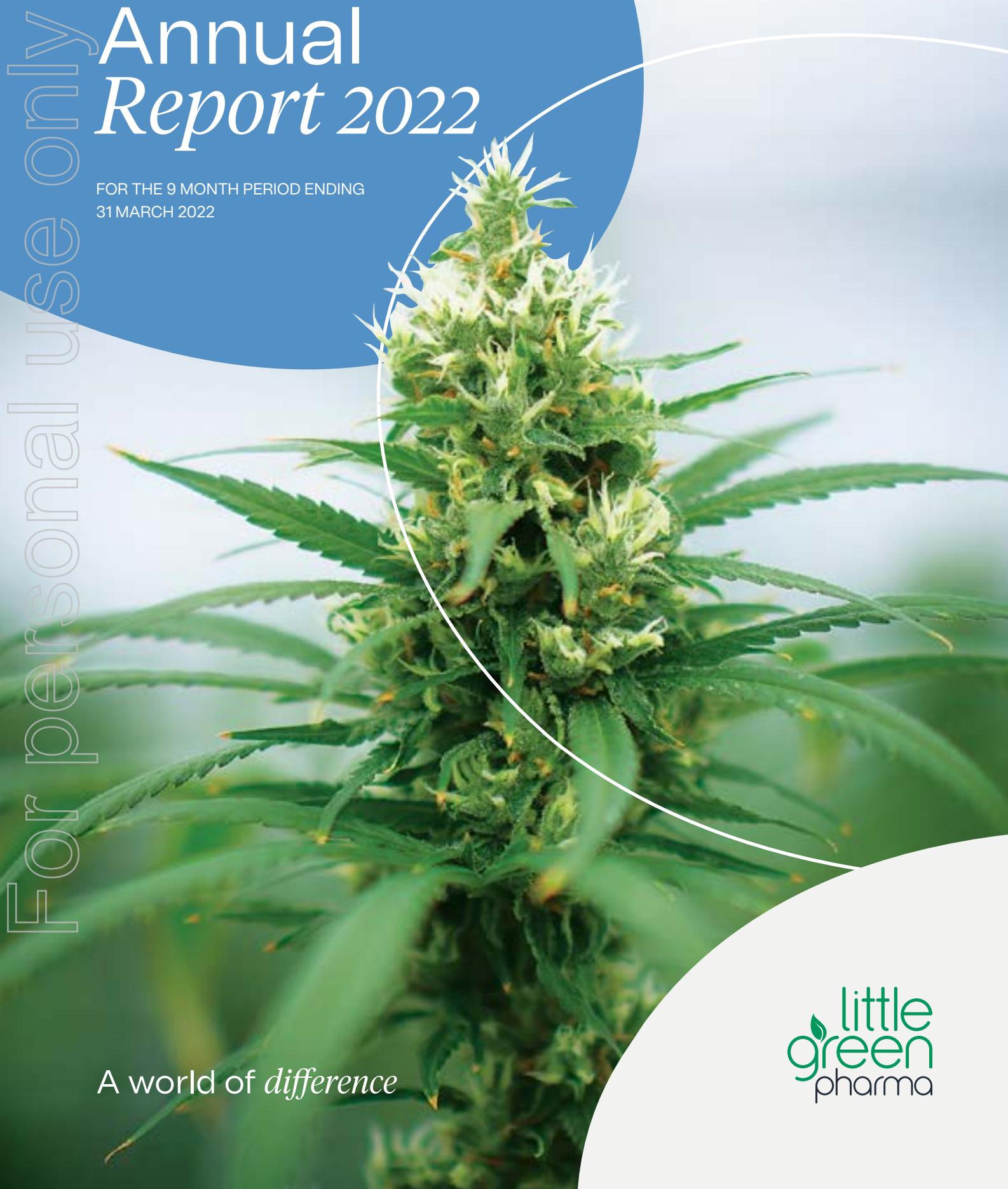


LITTLE GREEN PHARMA

ABN 44 615 586 215

Annual Report 2022

FOR THE 9 MONTH PERIOD ENDING
31 MARCH 2022



A world of *difference*

little
green
pharma

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Corporate Directory

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Notice of AGM

The Annual General Meeting of Little Green Pharma Ltd will be held at 3:00pm (WST) on 12 Friday August 2022. This meeting will be held at the Company's Registered Office unless otherwise advised.

Who we are

We are Little Green Pharma Ltd (**Little Green Pharma, LGP, the Company or Group**): Australia's most trusted medicinal cannabis company and a leading global medicinal cannabis supplier.

Internationally, we are growing rapidly as a leading supplier across Europe, as we develop and roll-out bespoke strains for our distribution partners, while continuing to grow the LGP brand across key markets.

In Australia, we have become Australia's most trusted medicinal cannabis brand, as our popular Australian and Danish GMP flower and oil product suite, paired with our industry-leading engagement teams, provide patients and prescribers with access to world-class medicines and support services.

Today, our strategy is focused on three key goals: rapidly grow sales, rightsize and optimise operations, and provide an industry-leading patient and prescriber experience across all key markets.

Our longstanding experience in best-practice product development and manufacturing, paired with supply and distribution relationships, position the Company perfectly for future industry evolution by allowing LGP to supply bespoke products into countries with even the most rigorous pharmaceutical requirements.

Meanwhile, we continue clinical studies into the safety and efficacy of our medicines while developing new and innovative medicinal formulations for our patients in the future.

**We are proud to be Little Green Pharma,
*transforming lives for the better.***

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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.



Chairman's letter



Dear Shareholders,

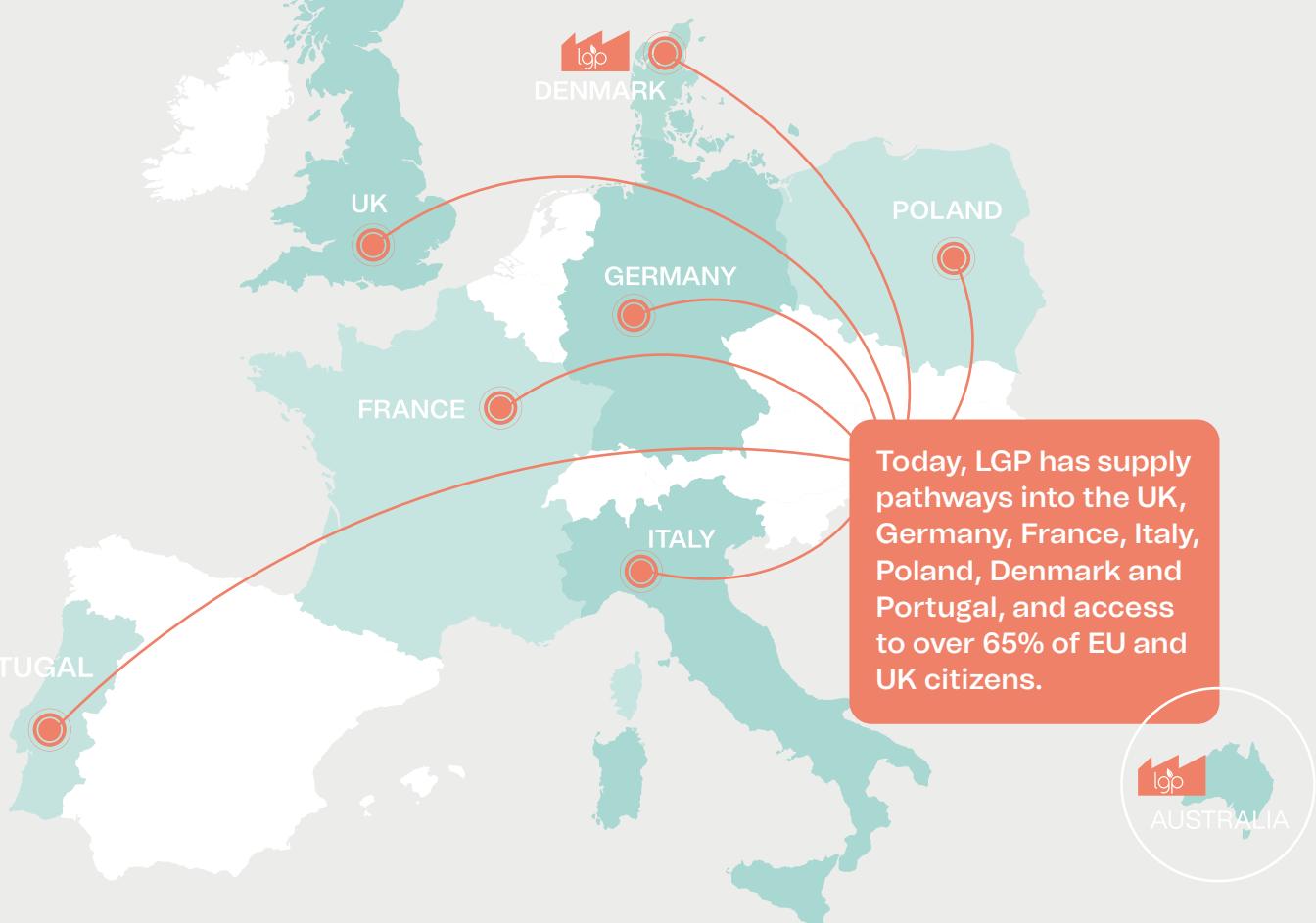
The 2022 financial year has been another strong year for Little Green Pharma.

Despite a shortened 9 month reporting period resulting from the change in year end to 31 March, during its 2022 financial year the LGP Group has made an enormous amount of progress across almost every dimension of its business. From the period 1 July 2021 to 31 March 2022 (**financial year**), the Group:

- successfully integrated its Danish cultivation and manufacturing facility acquired in June 2021, including completing capital works to lower costs, improve productivity, and reduce exposure to EU power prices; right-sizing headcount; and significantly advancing a comprehensive genetics program to provide premium strains and product flexibility
- entered into keystone supply agreements with distribution partners such as AMP for the distribution of LGP-branded products; won a government tender for the supply of flower products to Italy, positioning it well for future, larger tenders; shipped two new products from Denmark to the Australian market; and successfully registered the only domestically produced cannabis flower medicine in Denmark
- continued to grow its sales in the Australian market, as it rolled-out a series of innovative

online and in-person support teams to significantly improve prescriber and patient educational tools and access to medicinal cannabis products

- completed construction of its expanded Western Australian manufacturing facilities and significantly grew its Australian-based genetics program
- continued to be the primary supplier of medicinal cannabis products to the French medicinal cannabis pilot, which is anticipated to give LGP a significant first-mover advantage in a future legalised French market
- progressed a range of clinical studies into the use of LGP products for the treatment of obesity, symptom treatment for children with cancer, and symptom treatment for patients with HIV, as well as progressing its Schedule 3 CBD product registration with a successful pre-submission meeting with the Therapeutic Goods Administration (**TGA**)
- completed the first phase of its QUEST study, the world's largest clinical study into the treatment of chronic conditions with medicinal cannabis, as well as obtaining ethics approval to initially expand the study in Australia and subsequently into other jurisdictions



- continued to progress its product registrations in jurisdictions with challenging regulatory standards such as Poland
- was granted its Schedule 9 licence to manufacture and supply psilocybin from its WA production facilities, as well as announcing its intention to demerge its psychedelics business, Reset Mind Sciences Limited, later this year.

Post-financial year, the Company continued to significantly grow its supply channels into Germany, the United Kingdom and Portugal, including the it's entry into a significant, guaranteed offtake agreement with Four 20 Pharma, one of the largest and most successful distributors in Germany, as well as its entry into key product exclusivity agreements with longstanding distribution partner Demecan in Germany and Sana Life Sciences in the UK. The Company has also agreed with Canopy Growth Corporation to defer repayment of CAD 3.57m of its loan until 31 December 2022.

These successes position LGP well as it continues to develop new and innovative strains for several EU markets today, while progressing product registrations for potentially more lucrative EU markets tomorrow.

The entire Little Green Pharma team has worked tirelessly over this period to grow the Company's business and expertise, and I'd like to thank them all here, personally, for their hard work and dedication. As always, and on behalf of the Board and the Company I'd also like to thank you, our shareholders and stakeholders, for the support and dedication you have shown us over our journey.

Your sincerely

Michael Lynch-Bell
Independent Non-Executive Chair

A message from the *Chief Executive Officer*

Message to shareholders

For Little Green Pharma, the 9 months to 31 March 2022 was a huge year, as the Company relentlessly pursued a broad suite of projects and initiatives in Australia, Denmark, and overseas.

The result has been outstanding: the Company now has a high-volume GMP-licensed cultivation and manufacturing facility located in the European Union, capable of scaling to meet almost any third-party demand. The Group's success in developing partnerships with key distributors in Germany and the UK is clear, as is its evolution towards a contract portfolio with minimum exclusivity and guaranteed take-or-payment commitments. Our secret sauce is the shared development of bespoke flower strains sold exclusively to key purchasers in high-volume jurisdictions such as Germany, paired with the continued roll-out of LGP branded oil and flower products in the same jurisdictions.

This European presence also allows the Group to compete in markets not previously available, such as Italy, Portugal and Scandinavia, while also dramatically reducing approval time and logistics and costs. Importantly, it positions Little Green Pharma perfectly to take advantage of significant new markets in France, Italy and Poland as they either grow or open up in the future. To date, the growth of LGP's international sales (i.e. excluding local Australia and Denmark sales) year-on-year has been significant: during the current financial year, LGP's international sales increased by 72% from the previous financial year, and by 114% from

the previous comparative 9 month period of 1 July 2020 – 31 March 2021.

In the genetics space, our genetics program continues to produce strains bespoke designed to meet the in-market needs of customers and patients, with the Company spending significant time and resources in developing out a world-class bank of cannabis cultivars. As of writing, LGP has over 20 strains in various stages of development, with the Group's recent entry into exclusive supply agreements with key partners Four 20 Pharma, Demecan and Sana testimony to the success of the program.

These developments position LGP Denmark as a key ingredient to LGP's success in meeting current market demand, while granting the potential to access more challenging and lucrative European markets in the future.

In Australia, the Company continues to achieve construction and production goals, with its Western Australian facility completing commissioning of its manufacturing facilities post-financial year, and with LGP showing it can ramp production up and down in response to market demand without product quality impairment.

The Company also increased the number of Australian prescribers by 21% from the previous 12 month financial year, and by 64% against a comparative 9 month financial year, as well as increasing its patients by 12% compared to the



50+%

Revenue growth from previous financial year

12% and 63%

Increases in Australian patients*

21% and 64%

Increases in active Australian prescribers*

72% and 114%

Increases in international sales*

3 New medicinal cannabis products launched

* Comparisons with previous financial year and comparative reporting period of 1 July 2020 – 31 March 2021 respectively.

previous 12 month financial year, and by 63% against a comparative 9 month financial year.

LGP also continued to achieve strong growth with revenue of over \$10.52 million for the 9 month reporting period, being an increase of over 50% on the previous 12 month financial year. If extrapolated on a straight-line basis for a further quarter, LGP would have achieved a 100% increase in revenue growth for the same 12 month period.

The Company is also considering all levers to manage our current capital, including engaging in right-sizing operations, optimising projects, and improving existing yields with new strains and new technology as we look to get as operationally lean as possible, while still supplying the high-quality products that underpin LGP's reputation.

In relation to COVID, the primary disruptions related to management travel restrictions from Perth, including to Denmark to help integrate the Danish Facility. In addition, COVID has resulted in additional time and expense delays in all logistics operations, including in Australia, Denmark, and overseas. Finally, the war in the Ukraine has also added likely temporary additional costs to LGP's operational costs in Denmark, as the cost of power across Europe increases in response to gas shortages across the continent. However, LGP's recent right-sizing of operations and capital expenditure are designed to help mitigate some of these additional costs.

With two fully operational world class facilities in geographically favourable locations, LGP now has the building blocks to deliver on its core strategy of supplying material volumes of product into the European market while maintaining a dominant position in Australia. With a strong market share in Australia, its quickly growing sales pipeline in Germany and the United Kingdom, the near-term legalisation of medicinal cannabis in France, and the ability to deliver into Italy and Scandinavia (amongst others), the Group is now focusing on prioritising its operations to efficiently and effectively meet the needs and demands of customers, prescribers and patients.

We know where we need to get to, and you – our shareholders – can remain confident we have the tools, ambition and expertise to get there as soon as possible.

Lastly, I'd like to give my heartfelt thanks to the entire Little Green Pharma team in Australia, Denmark and around the world – it is due to your passion, hard work, talent and perseverance that we continue to do extraordinary things for patients and help solve real problems.

Yours in Health,

Fleeta Solomon
Chief Executive Officer

Strategy

LGP's core strategy remains unchanged: build sales in operating jurisdictions, leverage the resulting manufacturing expertise and capacity to unlock high-value offshore markets, and continue to develop new and innovative products to gain short-term market share and facilitate long-term growth.

However, in the past 9 months LGP has refined its core strategy into the following initiatives:

- build the most trusted patient and prescriber engagement teams in Australia
- develop and supply high-quality bespoke strains for key distribution partners across Europe
- enter into exclusive supply arrangements with partners for LGP branded medicines, including for markets with high regulatory barriers to entry such as Italy, Poland, Portugal and France; and
- continue its high potential drug development and R&D programs, including new meet-the-market products and key research initiatives

The success of this strategy is evident in LGP's year-on-year growth in prescriber and patient numbers and product sales; its entry into various foundational supply and distribution agreements with key partners such as Four 20 Pharma, Demecan and Sana Life Sciences; its development of a world-class genetics portfolio in Denmark; and its participation in a range of clinical studies and continued evolution of its world-class QUEST research initiative.

The Company's growth strategy comprises three key pillars:

1



Patient acquisition in operating jurisdictions

Sales in Australia and Denmark demonstrate market validity and generate immediate cashflow to support development of international pathways.



2



Clear pathway to international sales

Early mover commercial volumes in international markets the primary mechanism to secure and grow offshore market share.



3



Product and drug delivery innovations

Develop unique delivery systems for patients in the future to solve real patient problems and differentiate LGP.



Capability

LGP now has all the building blocks in place to achieve profitability and beyond.

Cultivation and production

LGP has over 35 tonnes of installed biomass cultivation capacity in two world-class GMP-certified oil and flower manufacturing facilities in Denmark and Western Australia. Following its successful capex modification to its Danish Facility and move to a perpetual harvest model, the Company continues to right-size its operations to align with its contracted commitments.

Product innovation

LGP has a broad genetics portfolio comprising over 20 cannabis strains in different stages of development; is poised to roll out its international successor to the world's largest quality of life study using cannabis for the treatment of chronic conditions; and is participating in a range of clinical studies utilising LGP products.

Distribution

In Europe, LGP has supplied or has existing arrangements with key partners for supply into 7 jurisdictions, including Denmark, Germany, the UK, France, Poland, Portugal and Italy, representing access to over 65% of EU and UK citizens. In Australia, it has the most trusted prescriber and patient engagement teams in the country and sold over 48,000 units of product in the 9 month financial year alone. Internationally, the Company grew its sales by more than 72% from the previous financial year, and by more than 114% from the previous comparative 9 month period (1 July 2020 – 31 March 2021).

Geographic diversification

LGP has major production facilities in both the northern and southern hemispheres, including in the EU, as well as existing distribution pathways into a diverse range of markets.

Access to emerging markets

LGP remains extremely well-positioned to take advantage of the substantial and emerging French and Italian medicinal cannabis markets, given its long-term role as primary supplier to the French pilot and the high barriers to entry for Italian flower tenders.

Cultivation and production

LGP Denmark

During the financial year, LGP Denmark invested in new LED grow lights and fogging systems, changed its cultivation process to a “perpetual harvest” model, and implemented an extensive genetics program with over 20 new strains currently under development.

LGP Denmark’s capital improvements resulted in a doubling of yield per plant in its upgraded grow-rooms with no commensurate increase in cultivation cost per plant, while the success of its genetics program was borne out by the entry into three key supply agreements post-year end with Four 20 Pharma GmbH (**Four 20 Pharma**), Deutsche Medizinalcannabis GmbH (**Demecan**) and Sana Life Sciences Ltd (**Sana**) for the funding and development of bespoke genetics for the German and UK markets.

LGP Australia

In Australia, LGP continued to experience high demand for cannabis flower medicines produced from its WA facility. During the financial year, the Company successfully ramped up its cultivation and production capacity and continued to refine its cultivation techniques, to produce cultivars with a consistent, reliable cannabinoid profile, and to maximise yield. LGP’s WA facility has the capacity to produce up to 3 tonnes of dried biomass per annum destined for Australian and overseas markets.

Operational right-sizing

Since February 2022, the Company has engaged in the right-sizing of its cultivation and production operations, to ensure alignment between production capacity and contracted commitments, and to minimise exposure of its Danish Facility to increased power prices resulting from the war in Ukraine.

Manufacturing

The LGP Group recognises that global medicinal cannabis markets are not static, and frequently evolve with a swiftness more comparable to a fast-moving consumer goods market. Because of this, LGP has implemented a substantial and wide-ranging genetics program, as well as optimising its new equipment and production validation processes to ensure it can meet consumer demand for new products. The Company now has a clear understanding of the GMP product validation timelines for the generation of new products and has spent considerable time and resources optimising its facilities to ensure the rapid turnaround of new strains as these are developed.

LGP Denmark

During the financial year, LGP Denmark invested in a cannabis flower packing line enabling packing of up to 40 x 5g packs per minute and resulting in substantially reduced labour costs and loss of product due to overfilling.

LGP Denmark also registered "Billinol", the first locally grown cannabis flower in Denmark and received its GMP licence to operate its QC laboratory as an independent business under the name of Lab Services Denmark ApS.

LGP Australia

During the financial year, LGP completed the expansion to its WA manufacturing facility and commenced commissioning of the expanded facility. The expansion provides greater capacity for post-harvest flower drying and the manufacture of cannabis flower medicines, cannabis extracts (oils), tinctures and APIs.



Product innovation

A component of LGP's core strategy is the development of innovative pharmaceutical products specifically designed to improve patient outcomes.

This includes launching an expanded range of medicinal cannabis oil and flower products to meet immediate patient demand in Australian and overseas markets; scientific validation of these medicines through real-world clinical studies; and the development of innovative prescription medicines, including novel delivery systems and precisely formulated cannabinoid products.

During the financial year, LGP's hallmark quality of life study, the QUEST Initiative, successfully completed its recruitment phase in December 2021. At the close of the recruitment more than 130 participating doctors across Australia had successfully enrolled 3,364 patients, making the QUEST Initiative the largest longitudinal medicinal cannabis study globally.

The results from this study will ultimately provide a rich source of real-world evidence to accompany LGP's medicines and provide increased prescriber and patient confidence.

LGP has also successfully been granted ethics approval for an additional clinical study called QUEST – Global Initiative, which will focus on the health economic impact of medicinal cannabis on patients with chronic disease. This study is expected to commence Australian recruitment in the second quarter of financial year 2023 with international expansion to Europe and the UK to follow.



A world of discovery



Product innovation

Clinical investigations

Gathering data is an important pathway to formal registration of medicinal cannabis as an authorised prescription medicine or over-the-counter therapeutic. Clinical investigation and trial outcomes which produce independent, clinically-valid findings help inform the Company's future clinical trial plans and product development pipeline.

Queensland University trial for the relief of symptoms of advanced cancer in children

In addition to the successful completion of its 151-patient trial for the treatment of chronic refractory pain using LGP Classic 10:10, the Company recently partnered with Queensland University of Technology to evaluate the efficacy and safety of LGP Classic 10:10 and 1:100 in the relief of symptoms associated with advanced cancer (e.g., pain, anorexia, insomnia, and anxiety) in patients under 21 years old. This is a landmark study, as to date very few studies investigating the efficacy of THC have been conducted involving children.

Partnership in proprietary obesity research

In September 2021, LGP partnered with internationally-renowned metabolic disease researcher Professor Marco Falasca and Curtin University to research the efficacy of medicinal cannabis in the treatment of obesity and related disorders. This research will be conducted in three stages with the third stage to be completed by 1 February 2023. The global obesity treatment drug market was valued at US\$729.9 million in 2019 and is forecast to reach US\$1.08 billion by 2027, at a compounded annual growth rate of 5.0%.¹

French HIV research expands LGP's brand presence

LGP has partnered with internationally renowned infectious disease expert Dr. Thierry Prazuck and his team at the Centre Hospitalier Regional d'Orleans in France to conduct a clinical trial evaluating the impact of CBD intake on symptoms and inflammation in adults living with HIV, using LGP's CBD50 medicine. Research partnerships such as this solidify the Company's brand presence and scientific strength in France, a significant emerging medicinal cannabis market.

Successful pre-submission meeting with TGA for Schedule 3 registration

On 21 December 2021, the Company held a pre-submission meeting with the TGA during which it successfully presented its clinical trial strategy for its proposed over-the-counter Schedule 3 CBD medication. Based on this meeting, the Company now has a clear understanding of the pathway to product registration.

1. Coherent Market Insights, "Obesity Management Drugs Market Report 2020 -2027". Sep 2020: Available: <https://www.coherentmarketinsights.com/market-insight/anti-obesity-drugs-market-2824>



Genetics program

During the financial year, the Company commenced a significant genetics development program intended to give LGP greater adaptability to the continuously evolving medicinal cannabis markets in the EU and elsewhere. This genetics program analyses market trends and potential future scenarios for cannabis final products and, using this data, looks to develop novel cannabinoid combinations as well as specific traits such as increased yield or decreased processing requirements. The Company now has a broad suite of high-potential genetics in various stages of development and has already seen success with the Company's entry into two key supply agreements with Four 20 Pharma and Demecan for bespoke strains.

Education

~12,000

New patients for
the financial year*

Supporting healthcare
professionals to make
a world of difference

*Compared to 7,300 for the comparative reporting period 1 July 2020 to 31 March 2021.

Engagement Team

Healthcare practitioner education and outreach remains a critical component of LGP's commercial strategy. During the financial year, LGP's industry-leading practitioner engagement team continued to engage with healthcare professionals to support their education into the benefits of cannabinoid medicines, including:

- online training courses, webinars, and virtual meetings typically provided by independent medical practitioners and frequently with specialised content around particular conditions
- support of practitioners with education and assistance to navigate the TGA application process, with strong medical science liaison representation across both east and west coasts
- development of an accredited medicinal cannabis course for pharmacists
- provision of portals for patients and healthcare professionals to access a range of resources to improve professional knowledge, as well as its **Greenchoices.com.au** directory that connects patients to doctors familiar with prescribing medicinal cannabis.

Customer Care Team

During the financial year LGP also expanded its Customer Care Team. LGP's Customer Care Team is responsible with supporting patients throughout their medicinal cannabis journey, from finding practitioners familiar with medicinal cannabis prescribing, to supporting patients with clinic, prescriber and pharmacy engagement. LGP's Customer Care Team has emerged as the industry's most trusted and effective customer support service and has become a key distinguishing feature from the services provided by other medicinal cannabis sponsors in Australia.

LGP brand and website refresh

Post-financial year, LGP also launched a refresh of its global brands as well as introducing new global and jurisdiction-specific websites: see www.littlegreenpharma.com These sites have been significantly updated and improved to enable efficient access to a realm of specialised educational and support resources for practitioners, pharmacists, and patients alike.



Distribution

Consistent with its long-term core strategy, the Company has continued to build its Australian sales to generate immediate cash flow to underpin development of its international pathways, while supplying early-mover commercial volumes into international markets to grow offshore market share.

During the current 9 month financial year 1, the Company achieved strong Australian and international sales growth with over a 50% increase in revenue to \$10.52 million, up from \$7 million for the 12 month period from 1 July 2020 to 30 June 2021. Extrapolated on a straight-line basis for a further quarter, LGP would have achieved a 100% increase in revenue growth for the same 12 month period.

Australian sales and distribution

During the financial year, the Australian medical cannabis market continued to grow, with strong patient demand and over 101,000 SAS B approvals granted via the TGA's Special Access Scheme.

The Australian medicinal cannabis market also continued to evolve, with a distinct shift towards cannabis flower products as a preferred dosing formulation. As at the date of this report, almost half of the current prescriptions in the Australian market are for cannabis flower products.

During the financial year:

- LGP released three new dried cannabis flower medicines, including its Billy Buttons THC16%, Billy Buttons THC19% and Sky Mist CBD14% products, with LGP developing more flower strains for sale in Australia in the next financial year
- LGP's four CBD-dominant oil medicines grew in popularity
- LGP developed online platforms designed to help facilitate patient access to practitioners familiar with prescribing medicinal cannabis, and to assist patients receive medicinal cannabis products delivered directly to their homes.

International sales and distribution

During the financial year, the Company integrated and rightsized its Danish production facility by:

- reorienting its production capability towards lower-cost, higher-yielding grow-rooms operating under a perpetual harvest model, achieved through targeted capex upgrade works to key grow rooms, the implementation of new packing equipment, and the alignment of its production capacity to meet committed contract quantities
- undertaking substantial investment in its genetics program, resulting in the ongoing development of over 20 new strains designed to meet and anticipate future market evolution in key jurisdictions.

These significantly improved capabilities give the Company capacity to develop and cultivate bespoke cannabis strains for exclusive distribution partners in key EU and global markets, as well as developing its own range of LGP-branded flower and oil products.



Distribution

Denmark

In Denmark, LGP secured the country's first domestically produced cannabis flower product registration for LGP's "Billinol" THC16, following an approximate 2.5-year application and registration process. With this registration the Company became the only domestic producer of medicinal cannabis flower (and one of only two suppliers of medicinal cannabis flower) in the country; and since its introduction demand has increased steadily with Billinol already the dominant flower product available in Denmark. This product registration not only gives LGP a privileged position in the Danish medicinal cannabis market but also gives LGP access to certain Nordic countries under mutual recognition schemes, with LGP expecting to sell the medicine into other European territories during financial year 2023.

Germany

In Germany, LGP continued to rapidly grow its distribution capacity with:

- a further large-volume 3-year exclusive supply agreement for up to 1.3T per annum of three prospective LGP strains with existing key distribution partner, Demecan;
- a Company-first guaranteed take-or-pay contract for at least \$7.5 million over 2.5 years for the exclusive supply of LGP's recently developed, high-THC SMS strain with Four 20 Pharma, one of the largest and most successful medicinal cannabis distributors in Germany; and
- entry into a 3-year exclusive distribution agreement with AMP Medical Products GmbH (**AMP**) for the exclusive supply of two LGP-branded medicinal cannabis oils, as well as the non-exclusive supply for other oils in LGP's portfolio.



United Kingdom

During the financial year, LGP agreed a 3-year supply agreement with Sana for the exclusive supply of LGP's 10:10 Classic Oil into the UK and Crown Dependencies, including the non-exclusive supply of certain LGP medicinal cannabis oil and flower products from LGP's Australian operations as well as a prospective balanced strain currently under development in Denmark.

France

LGP continued to be the primary supplier of medicines to the French medicinal cannabis pilot in partnership with local distributor, Intsel Chimos. The pilot is currently the sole pathway for the supply of medicinal cannabis into France, with only three other producers awarded a supply role to the trial. The trial is anticipated to catalyse legalisation of a €4 billion French market, with LGP set to capitalise on its brand equity and first mover status.

Italy

During the financial year LGP was awarded a €200,000 tender for the supply of medicinal cannabis flower from its Danish Facility to the Italian Government. Italian Government tenders are currently the sole pathway for cannabis flower supplies into Italy and impose some of the highest GMP product quality standards globally. With the award, LGP joined a small group of international cannabis producers qualified to supply to cannabis flower medicines to Italy, with only two suppliers bidding for the tender and only Aurora having successfully tendered in the past. The award positions LGP well for upcoming future and significantly larger Italian tenders.

Poland

In April 2021, the Company signed an exclusive distribution agreement with MedezinSp. s.o.o, a subsidiary of Pelion SA, the largest operator in the Polish and Lithuanian healthcare sector, for the exclusive supply of certain LGP branded products into Poland. A dossier for product registration was submitted in June 2021 and is currently being evaluated by the Polish Office for Registration of Medicinal Products, Medical Devices and Biocidal Products.

Portugal

In March 2022, LGP signed a three-year agreement for the non-exclusive supply of LGP's Desert Flame and Billy Buttons products to Alkannoli LDA in Portugal, with marketing authorisations currently being sought for the products.

Today, LGP has supply pathways into UK, Germany, France, Italy, Poland, Denmark and Portugal, and access to over 65% of EU and UK citizens.

⑥

Environmental, Social, Governance (ESG) *A World of Difference*



Pathway to sustainability – green, on both sides of the equation

LGP's core business of supplying cannabis medicines to patients suffering a variety of medical conditions means the Company already has a strong ESG profile.

In particular, LGP's product and service offerings mean the Company automatically scores very strongly across three of the Six Dimensions of Impact, being economic vitality, lifetime well-being, and societal enablement.

Meanwhile, LGP's Green Committee focuses on the Group's performance against the remaining Six Dimensions of Impact with the goal of identifying any remaining deficiencies and facilitating the Company's ESG compliance journey.

We believe these efforts will create distinctive competencies and create value for the benefit of both shareholders and society.

The following table sets out the Six Dimensions of Impact including the Company's current performance and areas of focus:

Impact dimension	Areas of focus	Status	Highlights
Economic vitality	Meaningful occupational purpose	✓	Group employees are engaged in meaningful careers that contribute significant economic benefits to broader society and stakeholders.
	Creating jobs across supply chain (internal & external)	✓	Group engages a broad and diverse workforce and contractor base across entire supply chain, from cultivation through to distribution and stakeholder engagement.
	Regional and community contribution	✓	Group provides significant employment and recruitment opportunities in regional WA and regional Denmark.
Environmental sustainability	Energy consumption and management	→	Group purchases 100% renewable power for its WA production facilities and 50% renewable power for its Denmark facility. Company also reviewing actions and activities required to achieve carbon neutrality. Denmark facility disposes of its organic waste to a local Danish renewable power producer who in turn generates and supplies waste heat to LGP's Danish Facility used to warm the facility and reduce power consumption.
	Pesticide and contaminant management	✓	The Group uses organic, non-hazardous, non-dangerous protectants as part of its integrated pest management regime.
	Water and wastewater management	✓	The WA facility uses hydroponic watering systems that minimise water loss and maximise application. The Denmark facility collects rain water from the rooftops of all its facilities and uses this to water its crops. All excess water from watering is collected in tanks and reused. The facility can store up to 9,000m ³ of rainwater on site in closed basins. Only wastewater from processing and cleaning in WA are disposed via sewerage systems.
	Waste and hazardous materials	→	All organic waste is composted on site at WA facility, while LGP's Denmark facility currently provides its organic waste to a local Danish renewable power producer who in turn generates and supplies waste heat to LGP's Danish Facility used to warm the facility and reduce power consumption. Rockwool used in LGP's Danish production facilities is redelivered to producer and recycled. In LGP's WA facilities, ethanol is reclaimed and disposed of in compliance with all regulatory requirements.
Lifetime well-being	Improving quality of life of patients and employees	✓	LGP's products and services significantly and positively impact patient quality of life.
	Provide benefits and opportunities for employee growth	✓	A flat management structure, broad geographic reach and rapidly growing Group provides broad and frequent opportunities for the development and growth of LGP employees.
	Supplying reliable medicines to patients	✓	Company has consistently provided high-quality cannabis medicines to the Australian and European markets since 2018.
	Product quality and safety	✓	All Company medicines meet stringent regulatory requirements for all applicable markets and Company's pharmacovigilance activities demonstrate a beneficial safety and risk / benefit profile for its medicines.
	Customer welfare	✓	Company strives to address all prescriber and patient concerns and has received consistently positive feedback and testimonials.

Impact dimension	Areas of focus	Status	Highlights
Ethical capacity	Compassionate access	✓	Company offers a compassionate access program to eligible patients.
	Data security	➡	Company utilises high security rated platforms and software in connection with storage of any personal information and complies with applicable privacy guidelines.
	Board gender and independent governance structure	➡	Company currently has 25% female Board representation and is presently reviewing Board structure and composition, with view to increasing number of Non-Executive Directors.
	Strong leadership and business ethics	✓	Company enjoys high-performing leadership and management culture with robust business ethics and practices.
	Selling practices and product labelling	✓	Company has helped pioneer innovative and lawful sales and marketing practices in a restrictive regulatory environment.
Societal enablement	Patient feedback	✓	Company consistently receives positive feedback and testimonials and its pharmacovigilance activities demonstrate a beneficial safety and risk/benefit profile for its medicines.
	Customer service	✓	Company provides excellent customer, prescriber and patient service and frequently goes beyond the call to assist stakeholders.
	Access and affordability	✓	Company provides significant support to prescribers and patients seeking to access medicinal cannabis, including through various product and educational platforms as well as medical science liaison and customer care teams. Company also provides a compassionate access program as well as access to reduced price cannabis medicines through health insurance partnerships and clinical studies.
Access and inclusion	Employee health & safety	➡	Group has developed a robust safety culture and enjoys a positive safety record since commencement of operations at all facilities.
	Employee engagement & inclusion	✓	Group has strong employee engagement and inclusion practices, including through internal communications, reward programs and Company-sponsored activities and events. Company strives to provide an inclusive workplace for a diverse workforce, including flexible working practices. Company outsources appropriate tasks to a local disability employment provider at its WA production facility.
	Workplace transparency	➡	Group generally provides transparent communications, updates and feedback to workforce, with any deficiencies primarily attributable to pace of Group growth and development.
	Employee gender and age diversity	✓	Group has a workforce comprising 62% women, with an age range of between 21 – 73 and an average age of 43.

1. Reference - Boston Consulting Group (April 2021), Young D and Gerard M, *How to Tell if Your Business Model is Creating Environmental and Societal Benefits*.

KEY ✓ Achieved ✖ Limited progress ➡ On track

Directors' report

The Directors present this report for the 9 month period ended 31 March 2022.

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

Chief Executive Officer

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 was appointed on 13 November 2018. His early Ernst & Young career was focused on auditing clients within the oil and gas sectors and later added mining to his portfolio. Michael also led Ernst & Young's UK IPO and Global Natural Resources transaction teams in the Transaction Advisory practice. He 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 Measurement, a non-executive Director of Barloworld Limited (JSE:BAW), and Senior Independent Director and Remuneration Committee Chair of Gem Diamonds Limited (LSE:GEMD). Michael is also Chair of the Company's Remuneration and 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 was Director General of the West Australian Department of Health. Neale is an experienced ASX company director and is currently independent chair of Intelicare (ASX:ICR). He is 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 since 2001. Neale is also Chair of the Company's Audit and Risk Committee.

Fleta Solomon *Chief Executive Officer*



Fleta drives the strategic vision of the business and as Chief Executive Officer of Little Green Pharma has grown the company from a medicinal cannabis startup to an industry leading medicinal cannabis brand in Australia and overseas.

Fleta has 20 years' experience in corporate and consumer health markets, is a graduate of the Australian Institute of Company Directors (GAICD), and holds a Bachelor of Science 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 prior to the change in the Mongolian government.

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, has a Master of Science and is a fellow of the Financial Services Institute of Australasia.

Reporting and comparative periods

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

For the purposes of this Annual Report, the 9 month period between 1 July 2021 and 31 March 2022 is the Company's financial year, with the previous comparative reporting period being 1 July 2020 to 31 March 2021.

Board and Committees

The Directors held five Directors' meetings, five Audit and Risk Committee meetings and three Remuneration and Nomination 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	5	5	5	5	3	3
Dr. Neale Fong	5	5	5	5	3	3
Ms. Fleta Solomon	5	5	NA	2	3	3
Mr. Angus Caithness	5	5	5	5	NA	3

In addition, 31 circular resolutions were passed.

Principal activities

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

- the cultivation of 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
- 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 7 and the Capability section at page 9 forms part of this Directors' Report.

During the 9 month financial year:

- LGP generated \$10,529,947 in revenue reflecting a loss of \$18,051,760 (compared to the previous financial year's profit after tax of \$22,215,518, predominately reflecting the impact of the bargain purchase of the Denmark Facility)
- the Company experienced record demand in Australia with over 11,900 new patients, a 12% increase in new patients from the previous financial year, and a 63% increase compared to the previous comparative reporting period of 1 July 2020 – 31 March 2021
- over 680 Australian health professionals prescribed the Group's medicinal cannabis products, which included a 21% increase in new active prescribers from the previous financial year, and a 64% increase in new active prescribers compared to the previous comparative reporting period of 1 July 2020 – 31 March 2021.

As at 31 March 2022, more than 27,100 patients have been prescribed the Group's medicinal cannabis products by more than 930 healthcare professionals in Australia alone.

Meanwhile, gross margin decreased to 52% in the financial year ended 31 March 2022, down from 82% in the previous financial year, predominately due to an increase in the sale of medicinal cannabis flower with a lower margin and a reduction in the estimated fair value of flower at the date of harvest compared to the prior year.

As at 31 March 2022, the Group had a cash position of \$20 million. On 30 June 2022 the Company will pay CAD 7.5 million of its loan with Canopy Growth Corporation with the parties agreeing to defer repayment of CAD 3.57 million at an interest rate of 8.57% until 31 December 2022.

During the financial year, the Group's key focus was on integrating, right-sizing and improving the Danish Facility and its product offering, finalising the expansion of its WA production operations, further developing sales channels into Europe and internationally, and providing educational and service support to healthcare professionals and patients in Australia.

Meanwhile, the Group's research and development activities continue to be focussed on the development of new and innovative drug delivery systems and products to meet current and future market demand.

The Group had a significant number of key achievements during its 9 month financial year and up to the date of this report, including:

- the signing of a large-volume take-or-pay exclusive supply agreement with one of Germany's largest and most successful cannabis distributors, Four 20 Pharma, for the supply of the Company's new SMS strain into Germany, for an estimated minimum value of \$7.5 million over its 30-month term, with first deliveries expected to start in the coming financial year.
- the signing of a 3-year supply agreement with Demecan with a minimum purchase commitment to maintain exclusivity of 1.3 tonnes per annum post ramp-up period for three prospective high-THC strains currently under development, with first deliveries expected to start in the coming financial year
- the signing of into a 3-year medicinal cannabis oil distribution agreement with AMP for the exclusive distribution of two LGP-branded oil medicines and the non-exclusive supply of three others in Germany, subject to certain minimum exclusivity commitment quantities
- the signing of into a 3-year purchase agreement with Sana for the exclusive supply of LGP's 10:10 cannabis oil as well as non-exclusive supply of LGP-branded cannabis medicines into the UK and Crown Dependencies, for a potential annual revenue opportunity of \$1.4 million (£820,000) post-ramp up for the exclusive oil product alone based on minimum exclusivity commitment quantities
- the successful award of a \$0.3 million (€200,000) Italian flower tender, with LGP one of only two suppliers bidding for the tender and with only one other company having been successful in the past, positioning LGP well for future tenders
- the completion of the Company's Western Australian manufacturing facility expansion
- the successful registration of LGP Denmark's Billinol THC16 cannabis flower medicine as the only domestically produced medicinal cannabis flower product in Denmark
- the receipt of the first shipments of LGP Denmark's Billy Buttons THC16 and THC19 cannabis flower medicines into Australia
- the establishment of a significant genetics portfolio (20+ strains) with multiple strains in different stages of development at LGP's Denmark Facility, as well as the significant expansion of new genetics available in LGP's Western Australian Facilities
- the receipt of a Schedule 9 licence endorsement enabling LGP to manufacture and supply psilocybin at its WA manufacturing facilities, and the announcement of the Company's intention to demerge LGP's wholly-owned psychedelics business, Reset Mind Sciences Limited
- the continued sponsorship of the QUEST Initiative, a large-scale observational quality of life study into the treatment of chronic conditions with medicinal cannabis
- LGP's continued status as primary supplier to the French medicinal cannabis pilot in France, with over 20,000 units delivered during the financial year

COVID-19

During the financial year the Company's operations were not materially impacted by COVID-19, although the pandemic did result in increased costs and delays to imports, procurement and deliveries both within Australia and to and from the EU, as well as travel restrictions from Perth to Denmark which impacted integration of the Danish Facility and proposed travels to the east coast to meet with stakeholders and suppliers.

War in Ukraine

The ongoing war in Ukraine has also impacted on European power prices given the impact on Russian gas supplies, with the consequence that power prices have risen significantly across all EU countries including Denmark. LGP has sought to mitigate its exposure to Danish power prices by right-sizing its production profile and undertaking capex (including LED lighting and additional fogging) in key grow-rooms which have helped reduce the Company's power demand.

Company performance against expectations

The Company's operations during the year performed as expected in the opinion of the Directors save that production and sales from LGP's Danish Facility did not ramp up as quickly as expected.

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 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, other than the three exclusive supply agreements with Four 20 Pharma, Demecan and Sana and the deferred repayment of CAD 3.57 million plus interest of its loan from Canopy Growth until 31 December 2022 referred to above.

Likely future developments

Likely developments in the operations of the Company, and the expected results of those operations in future financial years, other than matters and assumptions noted in the financial report relating to Going Concern, 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 29 to 34 of this Annual Report forms part of this Directors' Report.

Directors' securities

The Directors' interests in securities are set out in the Remuneration Report. These remain unchanged as at the date of that Remuneration Report.

Performance rights

During the previous financial year, the executives successfully achieved the share price milestone conditions for the 3 million long-term incentive performance rights issued to them prior to the Company's Initial Public Offering. During the previous financial year, 1 million of those 3 million performance rights vested upon achievement of the share price milestones and were exercised by the executives.

During the financial year:

- a further 1 million performance rights of these 3 million performance rights vested due to the continued employment of the executives with the Company, with 500,000 of these vested performance rights being exercised and converting to 500,000 ordinary shares; and
- in July 2021, shareholders approved the issue to the executives of a further 3 million performance rights subject to the Company achieving share price milestones of \$0.95, \$1.10 and \$1.25 and a continued service condition. To date, these share price milestone conditions have not been achieved.

Auditor's Independence Declaration

The Auditor's Independence Declaration set out on page 40 of this Annual Report forms part of this Directors' Report.

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.

Corporate Governance Statement

The Company's Corporate Governance Statement can be found at <https://investor.littlegreenpharma.com/site/investor-centre/corporate-governance-statement-2022>

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 the 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.

Company Secretary

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

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.

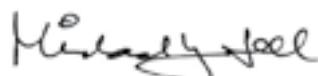
Indemnification and insurance of Directors and Officers

The Directors confirm no non-audit services were provided by the auditor (or by another person or firm on the auditor's behalf) during the financial year.

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

Signed in accordance with a resolution of the Directors:

Michael Lynch-Bell
Independent Non-Executive Chair



Fleta J Solomon
Chief Executive Officer



30 June 2022

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 2001 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 person's 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.

Remuneration report

The remuneration report sets out the Company's remuneration strategy for the financial year ended 31 March 2022 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 remuneration recommendations to the Board for the Directors 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; and 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; and reviewing the Company's recruitment, retention and termination policies and procedures for senior management
- reviewing and approving the remuneration of direct reports to the Chief Executive Officer, and other senior executives as appropriate; and
- reviewing and approving any equity-based plans and other incentive schemes.

Remuneration Report for financial year 2021

The Company's Remuneration Report for financial year 2021 was adopted by shareholders in November 2021.

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 has designed the STI and LTI Plans to motivate, retain and reward executive performance aligned to the Company's strategic objectives.

Prior to its initial public offering (**IPO**) in February 2020, the Company's LTI Plan sought to maximise shareholder benefit through the issue of performance rights tied to Company valuation and options with premium exercise prices. Subsequently in conjunction with its IPO, the Company aligned its LTI Plan with performance rights targeting increases in the Company's share price, including initial share price milestones of \$0.55, \$0.65 and \$0.75, each of which have been achieved, and subsequently performance rights with higher price milestones, being \$0.95, \$1.10 and \$1.25, which have not been achieved to date. Beginning financial year 2021, the Company has moved towards aligning executive performance with revenue, EBITDA, free cash flow and cost reduction milestones to drive the Company towards profitability.

Key Management Personnel

The Remuneration Report details the performance and remuneration of Key Management Personnel (**KMP**) for the financial year 2022. KMPs are defined as persons having authority and responsibility for directing and controlling the activities of an entity directly or indirectly. The KMPs 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 (Chief Executive Officer) 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 – Executive team

During financial year 2022, remuneration was structured according to the relevant employment agreements and performance measures in place.

Each of the executive team's employment agreements to 31 March 2022 consisted of fixed remuneration, an STI Plan, and an LTI Plan. In addition, the Chief Executive Officer received car-parking benefits.

No other bonuses or skill-based payments were received by the executives during the reporting period.

Fixed remuneration and associated benefits

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.

The base salary for:

- the Chief Executive Officer for the period 1 July 2021 to 31 March 2022 was \$234,615 (annualised: \$305,000) plus 10% superannuation;

- the Executive Director for the period 1 July 2021 to 31 March 2022 was \$209,885 (annualised: \$270,000) plus 10% superannuation.

During the financial year, the Chief Executive Officer also received car-parking benefits of \$3,150 (annualised: \$4,200).

Variable Remuneration – Short Term Incentive Plan

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

The performance milestones are clearly defined and measurable and based on achievements that are consistent with the Company's strategic objectives and the goal of enhancing shareholder value. The Remuneration Committee assesses and approves the executives' performance against these milestones.

For the period 1 July 2021 to 30 June 2022, the STI Plan set revenue, EBITDA, free cash flow, R&D, culture, and personal performance measures, with executives entitled to 40% of their base salary for achievement of all milestones and up to 70% of their base salary for exceedance of all milestones.

Following the change in financial year in February 2022, the Board resolved to end the previous FY2021-22 STI Plan for the period 1 July 2021 - 30 June 2022 and assess the executives against the STI Plan performance requirements as at 31 March 2022, in order to align with the Company's adjusted financial year.

Following assessment of STI Plan performance, the executives received the following short term incentive payments and the Company has accrued the following amounts for the adjusted financial year ending 31 March 2022:

- Chief Executive Officer: \$24,400; and
- Executive Director: \$21,600.

Variable remuneration – Long Term Incentive Plan

The LTI Plan is an equity incentive designed to create sustainable growth and shareholder value.

In the prior reporting period, the executives successfully achieved the share price milestone conditions of the 3 million long-term incentive performance rights issued to the executives prior to the Company's Initial Public Offering. Since that time, 2 million of these performance rights have vested and 1.5 million of these vested performance rights have been exercised, resulting in the issue of 1.5 million ordinary shares in the Company to the executives. The vesting of the remaining 1 million performance rights is subject to the continued employment of the executives for 24 months from the date of satisfaction of the relevant share price milestones.

During the year in August 2021, the Chief Executive Officer and Executive Director were issued 3 million performance rights on the following terms:

Class*	Milestone	Milestone Period	Expiry Date	Number of Performance Rights		Fair value (each tranche)
				Chief Executive Officer	Executive Director	
F	20 Day VWAP equalling \$0.95	3 years from issue	5 years from issue	500,000	500,000	\$420,100
G	20 Day VWAP equalling \$1.10	3 years from issue	5 years from issue	500,000	500,000	\$408,000
H	20 Day VWAP equalling \$1.25	3 years from issue	5 years from issue	500,000	500,000	\$395,700
Total				1,500,000	1,500,000	\$1,223,800

* The exercise price of each of the securities is \$0.00.

Upon satisfaction of the relevant milestone and subject to the executive 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 of the relevant milestone is satisfied; and
- 24 months after the date of the relevant milestone is satisfied.

The 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. No dividends are payable on performance rights.

The LTI Plan in the 2022 financial year included participation in an Employee Share Incentive Plan (**ESIP**) that entitled the executives to up to 50% of their base salaries in equity in the Company, based on the Company's performance and calculated using the closing share price at the end of the previous financial year. Following assessment of the ESIP for financial year 2022 the executives were awarded 25% of their base salaries in equity in the Company. Vesting of the awarded entitlements, assuming continued employment, occurs as follows: 20% at the end of the financial year; 40% on the first anniversary of the financial year; and 40% on the second anniversary of the financial year.

Other performance rights and options

In February 2022, the Executive Director exercised 3.5 million options with an exercise price of \$0.30 resulting in the Company receiving \$1.05 million and issuing 3.5 million ordinary shares.

Service contracts

Chief Executive Officer

The structure of the Chief Executive Officer's remuneration is in accordance with her employment agreement dated 1 December 2019. Ms. Fleta Solomon is entitled to receive a base salary of \$305,000 plus superannuation per annum and is also entitled to participate in the Company's STI and LTI Plans.

Express provisions in the agreement protect the Company's confidential information and intellectual property and either Ms. Fleta Solomon or the Company can terminate the agreement by giving six 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. Fleta 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. Under that agreement, Mr. Angus Caithness is to receive a base salary of \$270,000 plus superannuation. Mr. Angus Caithness is also entitled to participate in the Company's STI and LTI Plans.

Express provisions in the agreement protect the Company's confidential information and intellectual property, and either Mr. Angus Caithness or the Company can terminate the agreement by giving six 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. Angus 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 \$500,000 per annum as approved by shareholders at a General Meeting in November 2021.

Non-Executive Directors receive fixed remuneration plus superannuation for their services with Mr. Michael Lynch-Bell receiving \$122,400 plus superannuation per annum, and Dr. Neale Fong receiving \$ 61,200 plus superannuation per annum.

Presently no additional fee is paid to Non-Executive Directors for being a member of any Board committees.

Mr. Michael Lynch Bell and Dr. Neale Fong also hold:

- 300,000 and 150,000 retention share rights, respectively, which were issued prior to the Company's IPO and vest on the third anniversary of the admission of the Company to the Official List of the ASX, subject to the Non-Executive Director remaining employed by the Company at the vesting date. Each retention share right entitles the Non-Executive Director to the issue of one ordinary share in the Company
- 70,000 and 35,000 retention share rights, respectively, which were approved by shareholders at a General Meeting held on 19 July 2021 and which vest on 20 February 2024, subject to the Non-Executive Director remaining employed by the Company at the vesting date. Each retention share right entitles the Non-Executive Director to the issue of one ordinary share in the Company.

No other bonuses or skill-based payments were received by the Non-Executive Directors during the reporting period.

KMP STATUTORY AND SHARE BASED REPORTING

	F. Solomon		A. Caithness		M. Lynch-Bell		N. Fong	
	FY2022 (9 months)	FY2021 (12 months)						
Salary and fees ¹	234,615	224,958	209,885	204,000	100,521	44,457	45,900	32,300
Shares rights in lieu of salary	-	44,726	-	63,510	-	86,421	-	43,463
Living away from home allowance	-	126,627	-	-	-	-	-	-
Other non cash benefits ¹	18,655	13,701	(4,280)	35,754	-	-	-	-
Post employment benefits	16,834	35,660	16,834	28,272	-	-	4,590	3,069
Short term incentive - cash	24,400	161,927	21,600	140,600	-	-	-	-
Long term incentive - shares with milestone achieved ²	160,124	282,757	156,260	282,757	-	-	-	-
Long term incentive - shares with milestone outstanding ³	148,214	78,867	148,214	78,867	-	-	-	-
Long term incentive - retention shares ⁴	-	-	-	-	33,947	32,858	16,973	16,429
Expense for year	602,842	969,223	548,513	833,760	134,468	163,736	67,463	95,261
Performance related	55%	54%	59%	60%	N/A	N/A	N/A	N/A

1. Other non cash benefits represent car parking paid for by the company as well as movements in the annual leave and long service leave provisions.
2. Performance rights for which hurdles have been met, but service condition outstanding.
3. Performance rights for which neither the performance hurdles nor the service conditions have been met: 3 Tranches of 500,000 performance rights each for Fleta Solomon and Angus Caithness with share price hurdles of \$0.95, \$1.10 and \$1.25 and a two year service condition from the date of hurdle achievement.
4. Retention rights for which service condition outstanding.

MOVEMENTS IN ORDINARY SHARES HELD BY KMPs

	Balance at start of financial year	Issued on exercise of convertible securities	Disposals / other	Balance at end of financial year
Fleta Solomon	20,255,439	-	-	20,255,439
Angus Caithness	6,410,942	4,000,000	-	10,410,942
Michael Lynch-Bell	833,743	-	-	833,743
Dr. Neale Fong	1,012,567	75,458	-	1,088,025

SHARE BASED REPORTING

	F. Solomon		A. Caithness			M. Lynch-Bell		N. Fong		
	Performance Rights		Performance Rights		Options	Retention Rights		Retention Rights		Share Rights
Award date	19-07-21 ¹	16-01-20	19-07-21 ¹	16-01-20	19-09-17	19-07-21 ¹	16-01-20	19-07-21 ¹	16-01-20	26-11-20
Expiry date	19-07-26	16-01-25	19-07-26	19-01-25	19-09-22	20-02-26	20-02-23	20-02-26	20-02-23	25-11-22
Average fair value of each instrument	\$0.82	\$0.40	\$0.82	\$0.40	\$0.04	\$0.84	\$0.45	\$0.84	\$0.45	\$0.40
Vesting period years	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	0.0
Exercise price	-	-	-	-	\$0.30	-	-	-	-	-
Number of instruments	1,500,000	1,500,000	1,500,000	1,500,000	3,500,000	70,000	550,000	35,000	275,000	116,871
Instruments vested prior to 30 June 2021	-	(500,000)	-	(500,000)	(3,500,000)	-	(250,000)	-	(125,000)	(116,871)
Instruments vested financial year 31 March 2022	-	(500,000)	-	(500,000)	-	-	-	-	-	-
Instruments still to vest at 31 March 2022	1,500,000	500,000	1,500,000	500,000	-	70,000	300,000	35,000	150,000	-
Instruments exercised financial year 30 June 2021	-	500,000	-	500,000	-	-	250,000	-	125,000	41,413
Number of instruments held at 1 July 2021	-	1,000,000	-	1,000,000	3,500,000	-	300,000	-	150,000	75,458
Number of instruments granted during the financial year	1,500,000	-	1,500,000	-	-	700,000	-	35,000	-	-
Grant date fair value of instruments exercised	-	\$211,500	-	\$211,500	-	-	\$112,500	-	\$56,250	\$22,742
Exercise date fair value of instruments exercised	-	\$320,000	-	\$320,000	-	-	\$112,500	-	\$56,250	\$22,742
Instruments exercised during 31 March 2022	-	-	-	500,000	3,500,000	-	-	-	-	75,458
Grant date fair value of instruments exercised	-	-	-	\$199,000	\$129,500	-	-	-	-	\$41,438
Exercise date fair value of instruments exercised	-	-	-	\$220,000	\$1,050,000 ²	-	-	-	-	\$47,161
Number of instruments held at 31 March 2022	1,500,000	1,000,000	1,500,000	500,000	-	70,000	300,000	35,000	150,000	-

Post year end, Ms. Fleta Solomon was awarded 86,648 share rights vesting over 2 years relating to ESIP for the 31 March 2022 financial period and Mr. Angus Caithness was awarded 76,705 share rights on the same terms. The expense recognised by the Company during the period relating to these share rights was \$33,669 and \$29,805 respectively.

1. As approved at 19 July 2021 Shareholder meeting, 1,500,000 Performance Rights were issued to Ms. Fleta Solomon and 1,500,000 Performance Rights were issued to Mr. Angus Caithness, evenly split into three tranches with share price milestones of \$0.95, \$1.10 and \$1.25 and subject to a continued service condition; 70,000 Director Retention Rights were issued to Mr. Michael Lynch-Bell; and 35,000 Director Retention Rights were issued to Mr. Neale Fong.

2. This valuation is net of the \$0.30 exercise price paid for the exercise of the options.

This marks the end of the remuneration report.

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Independent Auditor's Report

Personal Use Only

Coming soon

Coming soon

Coming soon

Coming soon

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 31 March 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 9 month period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 31 March 2022 and of its financial performance for the 9 month period then ended; and
- 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report, which indicates that the Group has incurred a net loss of \$18,286,249 during the 9 month period ended 31 March 2022 (net profit of \$22,515,518 for 12 months ended 30 June 2021), and net cash outflows from operating and investing activities totalled \$24,828,596 (30 June 2021: \$17,883,965 outflow). These events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our procedures in relation to going concern included, but were not limited to:

- Inquiring of management and the directors in relation to events and conditions that may impact the assessment on the Group's ability to pay its debts as and when they fall due;
- Challenging the assumptions contained in management's cash flow forecast, including the timing of expected cash flows;
- Assessing the impact of events occurring after balance date on the financial statements; and
- Assessing the adequacy of the disclosures related to going concern in Note 2(c) to the consolidated financial statements.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of Biological assets <p>As disclosed in Note 2(u) 'Significant accounting judgements and estimates' and Note 4 'Biological assets', as at 31 March 2022 the Group held \$1.08 million of biological assets. This balance relates to the value of the plants being cultivated carried at fair value less estimated costs to sell. In order to determine the fair value of the plants, management prepare a fair value model which requires them to exercise significant judgement in respect of:</p> <ul style="list-style-type: none"> • Yield per plant; • Cannabinoid yield per gram; and • Stage of plant growth. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the processes and relevant controls used by management to determine fair value; • Assessing the appropriateness of the valuation methodology; • Checking the arithmetic accuracy of the valuation model; • Assessing and challenging the key assumptions in the valuation model as follows: <ul style="list-style-type: none"> ◦ Yield per plant based on historical actuals; ◦ Cannabinoid yield per gram based historical actuals; ◦ Stages of plant growth based on historical actuals; ◦ Average production cost per gram by comparing to historical trends and testing a sample of recent costs to external supporting evidence; and ◦ Sales price less cost to sell by agreeing to different types or revenue contracts; and • Performing sensitivity analysis on the key assumptions outlined above. <p>We also assessed the appropriateness of the disclosures in note 4 to the financial statements.</p>

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 9 month period ended 31 March 2022 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 have 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.
- 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 29 to 34 of the Directors' Report for the 9 month period ended 31 March 2022.

In our opinion, the Remuneration Report of Little Green Pharma Ltd, for the 9 month period ended 31 March 2022, 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.

Auditor's Independence Declaration

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Nicole Menezes

Partner

Chartered Accountants

Perth, 30 June 2022

The Directors
Little Green Pharma Ltd
Level 2, 66 Kings Park Rd
WEST PERTH WA 6005

30 June 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 audit of the financial report of Little Green Pharma Ltd for the 9 month period ended 31 March 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Nicole Menezes

Partner

Chartered Accountants

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Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

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Financial *report*



Consolidated Statement of Financial Position *as at March 2022*

	Note	31 March 2022	30 June 2021
Assets			
Current assets			
Cash and cash equivalents		20,086,504	40,269,169
Accounts receivable	3	5,599,794	3,656,846
Biological assets	4	1,076,173	965,244
Inventory	5	7,109,242	5,885,656
Assets held for sale	6	997,347	-
Prepaid expenses		578,301	868,086
Total current assets		35,447,361	51,645,001
Property, plant and equipment	7	59,394,347	54,065,269
Intangible assets	8	674,686	714,212
Right-of-use assets	9	190,196	1,345,710
Refundable deposits		197,839	834,085
Other financial assets		40,753	-
Total non-current assets		60,497,821	56,959,276
Total assets		95,945,182	108,604,277
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	3,199,094	3,486,056
Loan note	11	11,876,669	11,365,891
Liabilities associated with assets held for sale	6	241,424	-
Lease liability	9	98,495	204,644
Employee benefit obligations	12	1,133,445	830,817
Total current liabilities		16,549,127	15,887,408
External borrowings	13	3,783,719	-
Lease liability	9	114,882	1,215,832
Employee benefit obligations	12	18,399	-
Total non-current liabilities		3,917,000	1,215,832
Total liabilities		20,466,127	17,103,240
Net assets		75,479,055	91,501,037
Shareholders' equity			
Share capital	14	90,254,064	86,197,119
Reserves		104,250	1,896,928
Accumulated profit/(deficit)		(14,879,259)	3,406,990
Total shareholders' equity		75,479,055	91,501,037

The accompanying notes form an integral part of these consolidated financial statements and the comparative information has been updated to reflect the finalisation of the provisional accounting for the acquisition accounting of LGP Denmark ApS. – refer to note 17.

Consolidated Statement of Profit and Loss and Other Comprehensive Income

for the 9 months ended 31 March 2022

	Note	Period ended 31 March 2022	Year ended 30 June 2021
Revenue			
Medicinal cannabis sales	15	10,279,593	7,003,630
Commercial rent		250,354	-
Cost of sales			
Cost of goods sold		(7,147,052)	(2,760,749)
Gain on changes in fair value of biological assets		2,132,993	1,532,891
Gross margin		5,515,888	5,775,772
Expenses			
General and administrative		(4,257,423)	(3,516,736)
Sales and marketing		(3,626,459)	(2,109,737)
Education		(790,297)	(714,030)
Research and development		(5,415,119)	(1,780,218)
Commissioning costs	5	(8,616,331)	-
Licences, permits and compliance costs		(1,955,355)	(1,867,725)
		(24,660,984)	(9,988,446)
Loss from operations		(19,145,096)	(4,212,674)
Other income		63,078	-
Interest income		31,487	39,287
Finance expense		(543,528)	(91,542)
Research and development incentive	16	2,368,174	3,379,527
Government grants		184,228	520,777
Gain on bargain purchase	17	-	22,591,696
Net foreign exchange		(1,010,103)	(11,553)
(Loss) /profit before tax		(18,051,760)	22,215,518
Tax expense	18	-	-
(Loss) /profit after tax from continuing operations		(18,051,760)	22,215,518
Loss for the year from discontinuing operations	6	(234,489)	-
(Loss) /profit after tax		(18,286,249)	22,215,518
Other comprehensive income			
Exchange fluctuations on translation of foreign operations		(2,306,128)	95,593
Total comprehensive (loss)/profit net of tax		(20,592,377)	22,311,111
Net profit/(loss) per share from continuing operations			
Basic (cents)		(7.65)	14.45
Diluted (cents)		(7.65)	13.40
Weighted average number of shares outstanding			
Basic		235,922,394	153,720,092
Diluted		235,922,394	165,763,095

The accompanying notes form an integral part of these consolidated financial statements and the comparative information has been updated to reflect the finalisation of the provisional accounting for the acquisition accounting of LGP Denmark ApS. – refer to note 17.

Consolidated Statement of Changes in Equity

for the 9 months ended 31 March 2022

	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	-	-	-	-	22,215,518	22,215,518
Translation reserve	-	-	-	95,593	-	95,593
Total comprehensive income	-	-	-	95,593	22,215,518	22,311,111
Share placements	87,025,586	54,300,000	-	-	-	54,300,000
Capital raising costs	-	(2,238,199)	-	-	-	(2,238,199)
Options exercised	6,850,000	2,055,000	-	-	-	2,055,000
Share based payments	-	-	1,615,389	-	-	1,615,389
Transfer on vesting	2,508,000	1,077,740	(1,077,740)	-	-	-
Shares in lieu of payments	1,247,977	497,100	-	-	-	497,100
Shares in lieu of salary	1,475,316	561,218	102,505	-	-	663,723
As at 30 June 2021	232,607,948	86,197,119	1,857,348	39,580	3,406,990	91,501,037
Loss after tax	-	-	-	-	(18,286,249)	(18,286,249)
Translation reserve	-	-	-	(2,306,128)	-	(2,306,128)
Total comprehensive income	-	-	-	(2,306,128)	(18,286,249)	(20,592,377)
Share placements	2,713,801	1,799,250	-	-	-	1,799,250
Share based payments	-	-	1,618,639	-	-	1,618,639
Employee share plan	620,000	350,300	(350,300)	-	-	-
Transfer on vesting	500,000	153,730	(153,730)	-	-	-
Options exercised	3,500,000	1,651,159	(498,653)	-	-	1,152,506
Shares in lieu of salary	269,465	102,506	(102,506)	-	-	-
As at 31 March 2022	240,211,214	90,254,064	2,370,798	(2,266,548)	(14,879,259)	75,479,055

The accompanying notes form an integral part of these consolidated financial statements and the comparative information has been updated to reflect the finalisation of the provisional accounting for the acquisition accounting of LGP Denmark ApS. – refer to note 17.

Consolidated Statement of Cash Flows

for the 9 months ended 31 March 2022

	Period ended 31 March 2022	Year ended 30 June 2021
Operating activities		
Net (loss)/profit before tax	(18,286,249)	22,215,518
Items not involving cash		
Changes in fair value of biological assets	(2,132,993)	(1,532,891)
Depreciation and amortisation	1,004,135	685,266
Share-based payments	1,753,877	2,823,093
Interest income	-	(11,178)
Interest expense	471,964	72,173
Unrealised foreign exchange differences	966,320	-
Gain on derecognition of lease asset	(50,446)	-
Gain on bargain purchase	-	(22,591,696)
Changes in non-cash operating working capital		
Inventory and biological assets	700,130	(3,843,564)
Accounts receivable	(1,740,141)	(2,416,011)
Prepaid expenses	289,785	(174,463)
Accounts payable and accrued liabilities	(465,625)	(346,867)
Employee benefits obligations	321,027	(28,960)
Net cash flows used in operating activities	(17,168,216)	(5,149,580)
Investing activities		
Purchase of plant and equipment	(7,630,905)	(10,572,939)
Purchase of intangible assets	(29,475)	(2,161,446)
Net cash flows used in investing activities	(7,660,380)	(12,734,385)
Financing activities		
Proceeds from issue of shares	1,050,000	54,116,801
Proceeds from borrowings	3,770,000	1,016,000
Repayment of borrowings	-	(1,016,000)
Payments for lease liabilities	(94,315)	(245,822)
Net cash flows from financing activities	4,725,685	53,870,979
Net change in cash and cash equivalents	(20,102,911)	35,987,014
Cash and cash equivalents, beginning of period	40,269,169	4,273,564
Effect of changes in foreign exchange	(79,754)	8,591
Cash and cash equivalents, end of period	20,086,504	40,269,169

The accompanying notes form an integral part of these consolidated financial statements and the comparative information has been updated to reflect the finalisation of the provisional accounting for the acquisition accounting of LGP Denmark ApS. – refer to note 17.

Notes to Consolidated Financial Statements

1. NATURE OF OPERATIONS AND BASIS OF PREPARATION

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.

On 15 February 2022 the Company resolved to change its financial year to 31 March. The current reporting period is for a 9 month period ending 31 March 2022 and the comparative reporting period is for a 12 month period ending 30 June 2021.

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 **30 June 2022**.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain assets that are measured at revalued amounts or fair value, as explained in accounting policies below.

Certain comparative amounts have been re-presented to conform with the current period's presentation to better reflect the nature of the financial position and performance of the Group, in particular:

- On 8 February 2022, LGP announced its intention to demerge Reset Mind Sciences Ltd. In addition, the board resolved to dispose of the Group's Lab Services Denmark ApS entity and negotiations with several interested parties have subsequently taken place. In accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations, the Group has:
 - presented the loss from Reset Mind Sciences Ltd and Lab Services Denmark ApS separately from its continuing operations in its Consolidated Statement of Profit or Loss and Other Comprehensive Income in the current period and re-presentation of amounts presented in the prior period. Refer to Note 6 for further details;
 - presented the assets and liabilities of Reset Mind Sciences Ltd and Lab Services Denmark ApS as held for sale separately from other assets and liabilities in the Consolidated Statement of Financial Position as at 31 March 2022 with no re-presentation of amounts presented in the prior period. Refer to Note 6 for further detail; and
 - continued to present the Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows including both continuing and discontinued operations.
- Restated the comparative information to reflect the finalisation of the provisional accounting for the acquisition accounting of LGP Denmark ApS. Refer to Note 17 for further detail.

c) Going concern

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.

The Group incurred a net loss of \$18,286,249 during the 9 month period ended 31 March 2022 (net profit of \$22,215,518 for 12 months ended 30 June 2021), and net cash outflows from operating and investing activities totalled \$24,828,596 (30 June 2021: \$17,883,965). As at 31 March 2022, the Group had cash and cash equivalents of \$20,086,504 and had net current assets of \$18,898,234.

Subsequent to year end, the Group has agreed with Canopy Growth Corporation to defer repayment of CAD 3.57 million of the Loan Note until 31 December 2022.

The Group has prepared a cash flow forecast to 30 June 2023 which demonstrates there is the necessary working capital for the Group to continue its ongoing operations. This is dependent upon a combination of the following:

- Continuing the sales growth rate consistent with that achieved in the 9 month period;

- Securing agreement and receipt of proceeds from the sale of the Danish GMP Lab operations;
- Receipt of the government Research and Development tax incentive of \$2.3 million which is accrued for in Note 3;
- Repayment of the deferred amount of CAD 3.57 million of the Loan Note with Canopy Growth Corporation until 31 December 2022
- Drawing down on the existing \$2.0 million financing facility with National Australia Bank as required; and
- Managing costs and production in line with the cash flow forecast.

Whilst the Directors are confident of the Group's ability to continue as a going concern, due to the factors mentioned above, there is a material uncertainty that may cast doubt whether the Group will be able to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business.

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

d) 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 March 2022	Ownership 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 Limited*	Australia	AUD	100%	100%
Little Green Pharma ApS	Denmark	DKK	100%	100%
Lab Services Denmark ApS#	Denmark	DKK	100%	-

* On 30 September 2021 LGP Alternative Therapies Pty Ltd changed its name to Reset Mind Sciences Limited and converted into a public company.

On 21 March 2022 Lab Services Denmark ApS was incorporated.

e) Functional and presentation currency

The Company's and Group's functional currency is Australian dollars and the Group's presentation currency is also Australian dollars. All amounts presented are in Australian dollars unless otherwise specified.

f) New and revised Australian Accounting Standards

In the current 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 Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2. 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 or sold as flower 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 less costs to sell, 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) Property, plant and equipment

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

- Land – not depreciated
- Buildings – units of production
- Production equipment – units of production
- Office leasehold improvements – life of the lease
- 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. Expected credit losses on 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, general economic conditions 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) 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.

g) Foreign currency translation

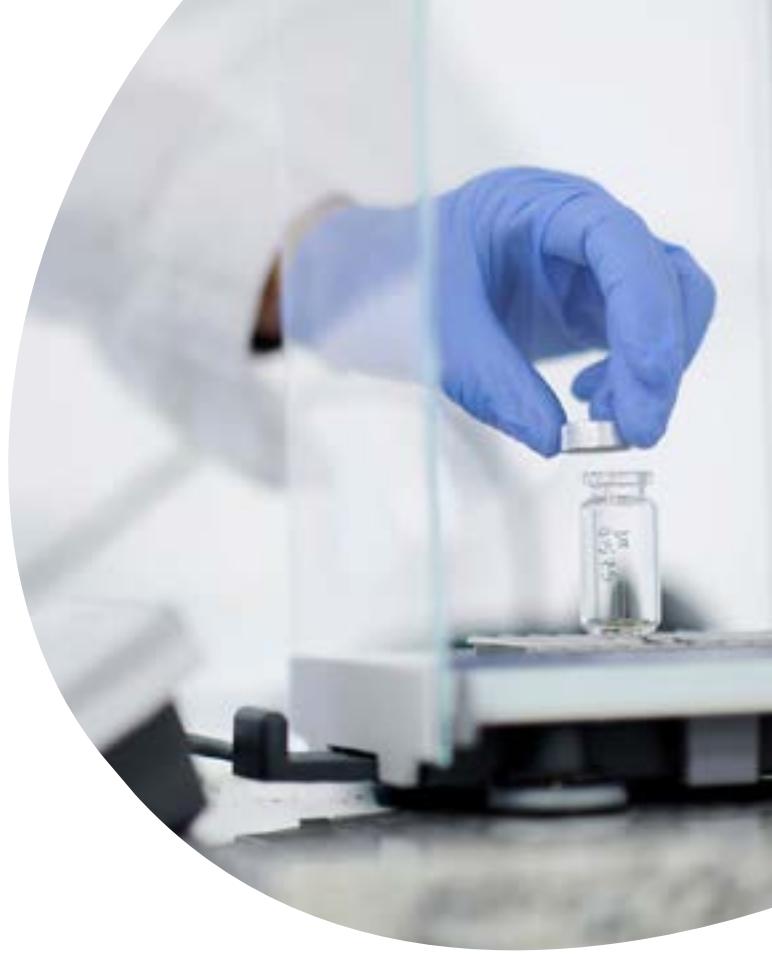
Transactions in currencies other than the functional currency of the relevant entity are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange 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. For the purpose of presenting consolidated financial statements, assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rate for the period. Any exchange differences which arise are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.

h) 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.

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.



i) 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.

j) 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.

k) Share-based payments

i. 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 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.

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 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.

ii. 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.

I) 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.

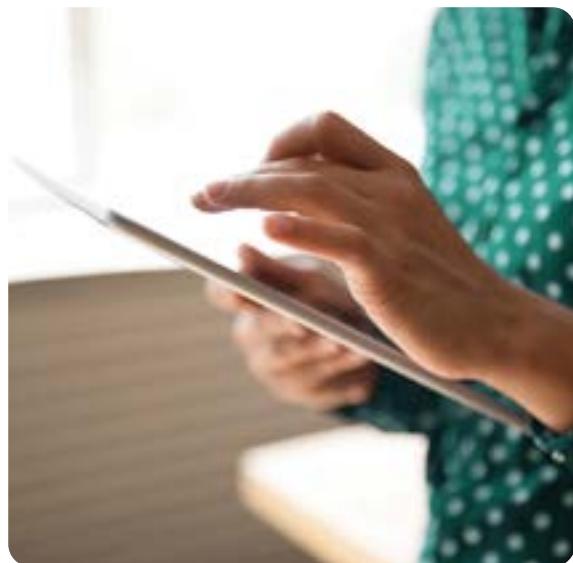
m) Income taxes

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.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.



n) Research and development incentives

The research and development incentive which is received annually based on the previous financial years research and development expenditure is recognised when there is reasonable assurance that the Company will comply with the required conditions for that incentive to be received. Where refundable, the refund is treated as other income.

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) Profit / (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 which are reasonably certain to be exercised.

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.

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) Business combinations

Acquisitions of businesses are accounted for using the acquisition method with the consideration being measured at fair value and any acquisition related costs being expensed. At the acquisition date, the fair value of all identifiable assets and liabilities are recognised, except that deferred tax balances and any employee benefit obligations are recognised and measured in accordance with IAS 12 and IAS 19 respectively. If the fair value of the assets and liabilities which have been acquired is greater than the consideration paid, the difference is recognised as a gain on bargain purchase in the profit and loss. Initial estimates are made on a provisional basis, with final fair values being determined within 12 months of the acquisition.

u) 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 or other similar models 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.

Business combinations

When a business combination occurs, the fair value of the assets and liabilities acquired is estimated on a provisional basis due to the inherent difficulties in both identifying all assets and liabilities acquired as well as determining their fair values. Management has used a third party valuation report to determine the fair value of the fixed assets while all other fair values have been determined using the judgements and estimates as detailed within this "Significant accounting judgments and estimates" note.

Research and development incentive

The research and development incentive receivable is based on management's best estimate of the nature and amount of expenditure incurred during the year that will meet the required rebate criteria.

3. ACCOUNTS RECEIVABLE

The Group's trade and other receivables is comprised of:

	31 March 2022	30 June 2021
Trade receivables	1,849,909	773,311
Allowance for expected credit loss	-	-
Research and development incentive receivable	2,329,066	1,889,424
Goods and services tax receivable	288,264	382,933
Other receivables	1,132,555	611,178
	5,599,794	3,656,846

Trade receivables are recognised and carried at original invoice value less any allowance for expected credit losses. They are non-interest bearing and generally on 30-day terms.

The Group has a limited number of counter parties who it trades with on a regular basis and as such does not expect to incur any material credit losses.

The Company receives an annual research and development tax incentive from the Australian Government on eligible expenditure incurred during the financial year. For the financial year ended 31 March 2022, eligible expenditure is expected to result in a rebate of \$2.329 million (2021: \$1.889 million).



4. BIOLOGICAL ASSETS

The movement associated with the Group's biological assets is as follows:

	31 March 2022	30 June 2021
Opening balance	965,244	13,857
Costs incurred	5,483,958	2,316,760
Acquired as part of business combination	-	111,122
Transfer to inventory	(7,480,816)	(3,009,386)
Unrealised changes in fair value	2,107,787	1,532,891
	1,076,173	965,244

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 in of the plant out of the average growing cycle as at period end date.

In the current period, the biological assets were approximately 48% 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 \$215,234 at 31 March 2022 (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 \$269,043 at 31 March 2022 (30 June 2021 - \$175,000). At harvest, the estimated fair value of a gram of biomass is \$3.50 (30 June 2021 - \$4.00).

5. INVENTORY

The Group's inventory is comprised of:

	31 March 2022	30 June 2021
Supplies and consumables	119,687	320,473
Work in progress	5,996,982	4,449,550
Finished goods	992,573	1,115,633
	7,109,242	5,885,656

In the current period, \$67,943 worth of inventory was written down to its recoverable amount. In addition to this, as part of the commissioning of the Danish Facility while creating its own genetics, \$8,616,331 was incurred producing medicinal cannabis flower for which the genetics were licenced from Canopy Growth Corp. Under the production licence all product which has not been sold by 21 December 2022 must be destroyed. These costs have not been capitalised to inventory on the basis that the Company does not yet have a contracted purchaser for this these specific strains nor are there a history of sales. Under the licence agreement, cultivation of the Canopy Growth Corp strains must cease by 21 June 2022.

6. ASSETS AND LIABILITIES HELD FOR SALE

In February 2022, LGP announced the intention to demerge Reset Mind Sciences Ltd. In addition, the board has resolved to dispose of the Group's Lab Services Denmark ApS operations and negotiations with several interested parties have subsequently taken place. These operations, which are expected to be disposed of within 12 months, have been classified as a disposal group held for sale and presented separately in the statement of financial position. The proceeds of disposal of Lab Services Denmark ApS are expected to substantially exceed the carrying amount of the related net assets and there will be no loss related to the demerger of Reset Mind Sciences Ltd and therefore no impairment has been recognised. The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	31 March 2022	30 June 2021
Results of assets held for sale		
Effect on statement of profit or loss and other comprehensive income		
Revenue	-	-
General and administrative	(48,781)	-
Research and development	(152,340)	-
Licences, permits and compliance costs	(33,318)	-
Net foreign exchange	(50)	-
Loss before tax from disposal group	(234,489)	-
Attributable tax expense	-	-
Loss after tax from disposal group	(234,489)	-
Cashflow from discontinued operations		
Cashflow from financing activities		
Effect on the financial position of the Group as at 31 March 2022		
Current assets		
Cash and cash equivalents	8,075	-
Accounts receivable	271,966	-
Non-current assets		
Plant and equipment	461,620	-
Plant under construction	255,686	-
Assets classified as held for sale	997,347	-
Current liabilities		
Accounts payable and accrued liabilities	241,424	-
Liabilities associated with the assets classified as held for sale	241,424	-
Net assets of disposal group	755,923	-

7. PROPERTY, PLANT AND EQUIPMENT

The Group's plant and equipment comprised of:

	Land & buildings	Leasehold improvements	Production equipment	Office equipment	Assets under construction	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	6,833,149	3,660	1,056,489	122,726	1,722,464	9,738,488
Write-off asset	(33,421)	(2,270)	(47,710)	-	-	(83,401)
Transfers	7,177,768	(7,177,768)	-	-	-	-
Assets moved to held for sale	-	-	(477,005)	-	(255,686)	(732,691)
Foreign exchange movements	(2,106,383)	-	(148,232)	(1,934)	-	(2,256,549)
As at 31 March 2022	48,905,155	32,759	10,306,531	482,765	1,466,778	61,193,988
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	(356,271)	(137,743)	(136,458)	(130,657)	-	(761,129)
Transfers	(419,969)	419,969	-	-	-	-
Write-off asset	3,595	2,270	77,536	-	-	83,401
Assets move to held for sale	-	-	15,386	-	-	15,386
Foreign exchange movements	(353,218)	-	(269,546)	(51,663)	-	(674,427)
As at 31 March 2022	(1,125,863)	(11,215)	(439,344)	(223,219)	-	(1,799,641)
Carrying value						
As at 30 June 2021	37,034,042	6,913,426	9,796,727	321,074	-	54,065,269
As at 31 March 2022	47,779,292	21,544	9,867,187	259,546	1,466,778	59,394,347

Assets under construction are not depreciated until brought into use.

The following amount of \$6,300,286 in Land & Buildings is pledged as security in relation to the external borrowings. Refer to note 13 for further detail.

8. INTANGIBLE ASSETS

The Group's intangible assets comprised of:

	Patents & trademarks	Computer software	Pharmaceutical quality system	Total
Cost				
As at 30 June 2020	112,518	97,650	452,032	662,200
Additions	7,807	57,813	96,914	162,534
Write-off asset	-	-	-	-
As at 30 June 2021	120,325	155,463	548,946	824,734
Additions	-	29,475	-	29,475
As at 31 March 2022	120,325	184,938	548,946	854,209
Accumulated amortisation				
As at 30 June 2020	(15,988)	(25,837)	-	(41,825)
Amortisation	(6,639)	(26,624)	(35,434)	(68,697)
Write-off of asset	-	-	-	-
As at 30 June 2021	(22,627)	(52,461)	(35,434)	(110,522)
Amortisation	(4,513)	(23,313)	(41,175)	(69,001)
As at 31 March 2022	(27,140)	(75,774)	(76,609)	(179,523)
Carrying value				
As at 30 June 2021	97,698	103,002	513,512	714,212
As at 31 March 2022	93,185	109,164	472,337	674,686

9. RIGHT-OF-USE ASSETS & LEASE LIABILITIES

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

	Right of use assets
As at 30 June 2020	1,655,148
Additions	18,740
Disposals	(151,592)
Depreciation	(176,586)
As at 30 June 2021	1,345,710
Additions	-
Disposals	(1,077,342)
Depreciation	(78,172)
As at 31 March 2022	190,196

The Group's lease liabilities is comprised of:

	31 March 2022	30 June 2021
Current lease liability	98,495	204,644
Non-current lease liability	114,882	1,215,832
	213,377	1,420,476

The Group's head office lease is for a term of five years expiring 31 August 2024. The Group previously leased the production facility in Australia however on 16 August 2021, the land on which the production facility sits along with two adjacent properties were purchased.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Group's accounts payable and accrued liabilities is comprised of:

	31 March 2022	30 June 2021
Trade and other payables	1,545,352	1,042,427
Accrued liabilities	1,653,742	2,443,629
	3,199,094	3,486,056

11. LOAN NOTE

The Group is a party to a secured Loan Note in relation to the Little Green Pharma Denmark ApS acquisition. The Loan Note is secured over the land and buildings held by Little Green Pharma Denmark ApS, with an interest rate of 5% per annum due on 30 June 2022. Subsequent to year end, the Group has agreed with Canopy Growth Corporation to defer repayment of CAD 3.57 million of the Loan Note until 31 December 2022.

12. EMPLOYEE BENEFIT OBLIGATIONS

The Group's employee benefit obligation is comprised of:

	31 March 2022	30 June 2021
Current liabilities		
Annual leave	364,891	620,997
Employee benefits	768,554	209,820
Non-current liabilities		
Long service leave	18,399	-
	1,151,844	830,817

13. EXTERNAL BORROWINGS

During the period, the Group obtained a secured external loan of \$3,770,000 (30 June 2021: Nil) from National Australia Bank. The loan has an effective interest rate of 3.795% and an amortised cost of \$3,783,719 and is due for repayment on 31 December 2024. In addition, the Group obtained a revolving credit facility of \$2,000,000 (30 June 2021: Nil) which has not been drawn down on. The loan and the revolving credit facility are secured over the land and buildings held by LGP Holdings Pty Ltd. These assets are classified as property, plant and equipment with a value of \$6,300,286 (30 June 2021: Nil).

14. SHARE CAPITAL

At 31 March 2022 a total of 240,211,214 ordinary shares had been issued (30 June 2021 - 232,607,948).

Non cash investing activities for the period ended 31 March 2022 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 period ended 31 March 2022 included issuing 889,465 ordinary shares to employees at a weighted average issue price of \$0.51 per share totalling \$452,806.

3,500,000 options with an exercise price of \$0.30 were also exercised during the period.

15. MEDICINAL CANNABIS SALES

The Group's medicinal cannabis sales is comprised of:

	Period ended 31 March 2022	Year ended 30 June 2021
Type of medicinal cannabis sales		
Oil products	6,779,227	6,497,845
Flower products	3,500,366	505,785
	10,279,593	7,003,630

16. RESEARCH DEVELOPMENT INCENTIVE

The Company has recognised \$2,368,174 (30 June 2021: \$3,379,527) in income relating to the expected research and development incentive rebate associated with expenditure incurred during the period ended 31 March 2022.

17. BUSINESS COMBINATIONS

Acquisition of Canopy Growth Denmark ApS (LGP Denmark ApS)

On 21 June 2021, the Company acquired 100% of the securities in Canopy Growth Denmark ApS (renamed to LGP Denmark ApS) for C\$20 million, with C\$10 million being paid on completion and a loan note of C\$10 million due on 30 June 2022 to Canopy Growth Corporation remaining in LGP Denmark ApS. LGP Denmark ApS is a world class cannabis GACP cultivation and EU-recognised GMP licensed cannabis manufacturing facility located in Denmark ("Denmark Facility") and qualifies as a business as defined in AASB 3 Business Combinations.

The amounts recognised in respect of the fair values of the assets and liabilities acquired are set out below:

	Provisional 30 June 2021	Adjustment	Final 31 March 2022
Cash and cash equivalents	605,337	-	605,337
Biological assets	1,019,828	(1,019,828)	-
Inventory	1,479,331	(1,368,209)	111,122
Prepaid expenses	659,070	-	659,070
Plant and equipment	46,076,410	-	46,076,410
Accounts payable and accrued liabilities	(1,792,195)	-	(1,792,195)
Deferred payment	(11,365,891)	-	(11,365,891)
Employee benefits	(523,881)	-	(523,881)
Deferred tax assets/(liabilities)	-	-	-
Contingent liabilities	-	-	-
Fair value of assets and liabilities acquired	36,158,009	(2,388,037)	33,769,972
Gain on bargain purchase	(24,979,733)	2,388,037	(22,591,696)
Consideration	11,178,276	-	11,178,276
Consideration net of cash and adjustments	10,572,939	-	10,572,939
Net profit per share			
Basic (cents)	16.01	(1.56)	14.45
Diluted (cents)	14.84	(1.44)	13.40

The fair value of the assets and liabilities are finalised. The adjustment between the provisional fair value of the assets and liabilities presented at 30 June 2021 and the final fair value of the assets and liabilities presented at 31 March 2022, relate to the biological asset and the flower inventory acquired. On reassessment the fair value of those assets has been determined to be nil. The remaining balance within inventory represents the fair value of the consumables.

The acquisition of Canopy Growth Denmark ApS likely resulted in a gain on bargain purchase due to Canopy Growth Corporation divesting many of its noncore assets globally and being unwilling to sell the Denmark operation to a large Canadian or United States competitor.

18. INCOME TAXES

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

	31 March 2022	30 June 2021
Gain / (Loss) for the year before income taxes from continuing operations	(18,051,760)	22,215,518
Gain / (Loss) for the year before income taxes from discontinuing operations	(234,489)	-
Statutory tax rate	25.0%	26.0%
	(4,571,562)	5,776,035
Add/(deduct)		
• Share based payments	438,469	734,004
• Research and development incentive	806,054	250,634
• Gain on bargain purchase	-	(5,873,842)
• Foreign losses not recognised	3,008,805	168,780
• Other	-	(10,923)
• Movement in deferred tax not recognised/(recognised)	318,234	(1,044,688)
Income tax (benefit)/expense	-	-

Total Australian tax losses for which no deferred tax assets has been recognised is \$7,608,247 (30 June 2021: \$7,069,776). Utilisation of carry forward tax losses is dependent upon the satisfaction of the requirements of the Income Tax Assessment Act 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 material uncertainties over income tax treatments in Australia. The Danish subsidiary has a statutory tax rate of 22% and historic tax losses of the acquired company are not believed to be available for use by the Group. Current year tax losses from the Danish operations not recognised are \$12,035,218.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 March 2022	30 June 2021
Deferred tax (asset)/liability		
• Biological assets	(812,517)	(133,396)
• Prepayments	(68,451)	(60,563)
• Plant and equipment	(72,944)	(69,132)
• Net lease liability	5,795	19,439
• Accounts payable and accrued liabilities	345,316	179,594
• Unrealised FX loss	41,907	2,234
• 40-880 tax balance	394,262	93
• Employee entitlements	166,632	61,731
Net deferred tax (asset)/liabilities	-	-
Benefit of tax losses not recognised	-	-
Net deferred tax (asset)/liability recognised	-	-

Deferred tax assets not recognised are \$103,954.

19. PAYROLL COSTS

The Group's payroll costs comprise of:

	Period ended 31 March 2022	Year ended 30 June 2021
Salaries and wages ⁽¹⁾	9,081,000	2,755,868
Short term incentive- cash	135,236	148,000
Post employee benefits	438,607	339,222
Share based payments	1,655,608	2,776,214
	11,310,451	6,019,304

(1) Included in salaries and wages is annual leave and long service leave employee benefit costs incurred in the period.

20. 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 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	(3,500,000)	0.30
Balance at 31 March 2022	4,073,536	\$0.45

Performance rights

	Number of rights	Weighted average exercise price
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	0.82
Forfeited	-	-
Exercised	(500,000)	0.40
Balance at 31 March 2022	7,000,000	\$0.66

On 19 July 2021, the Extraordinary 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. The inputs into the model were as follows:

Weighted average share price	\$0.86
Weighted average exercise price	Nil
Expected future volatility	85%
Expected life	3 years
Risk free rate	0.60%
Expected dividend yields	Nil

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous years as well as historical volatility of a basket of comparable companies over recent trading periods. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

On 7 March 2022, 500,000 performance rights were exercised for nil consideration.

Retention rights

	Number of rights	Weighted average exercise price
Balance at 30 June 2020	-	-
Granted	1,200,000	0.30
Forfeited	-	-
Exercised	-	-
Balance at 30 June 2021	1,200,000	0.30
Granted	105,000	0.84
Forfeited	-	-
Exercised	-	-
Balance at 31 March 2022	1,305,000	0.34

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 \$0.84. The retention rights were approved at the Extraordinary 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.

In addition, the Company intends to issue share rights under the Employee Share Incentive Plan relating to the period ended 31 March 2022. The share rights will have a nil exercise price and vest in three tranches on 31 March 2022, 31 March 2023 and March 2024 assuming the recipient remains employed by LGP.

21. FINANCIAL INSTRUMENTS

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

	31 March 2022		30 June 2021	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets				
<i>Amortised cost</i>				
Cash and cash equivalents ⁽¹⁾	20,086,504	20,086,504	40,269,169	40,269,169
Accounts receivable ⁽¹⁾	4,352,550	4,352,550	3,656,846	3,656,846
Refundable deposits ⁽¹⁾	197,839	197,839	834,085	834,085
<i>FVPL</i>				
Other financial assets ⁽²⁾	40,753	40,753	-	-
Financial liabilities				
<i>Amortised cost</i>				
Accounts payable and accrued liabilities ⁽¹⁾	3,611,784	3,611,784	3,486,056	3,486,056
Loan note	11,876,669	11,876,669	11,365,891	11,365,891
Lease liability	338,189	338,189	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 \$11,876,669 which is denominated in Canadian dollars. A 10% change in the Danish krone to Canadian exchange rate without a change in the Australian exchange rate would result in a foreign exchange gain or loss of \$1,187,666 for the Group.

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 March 2022 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 material financial liabilities with variable interest rates other than the National Australia Bank loan of \$3,770,000 which has an interest rate of 3.795%. A 10% change in the interest rate would result in an increase or decrease in the interest charge of \$14,307.

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 and 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.

22. 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 operating in two segments for the financial year ended 31 March 2022, Australia and Europe.

	Australia	Europe
Total assets	64,144,740	31,800,442
Total liabilities	(7,288,608)	(13,177,519)
Net assets	56,856,132	18,622,923
Revenue	10,387,095	142,852
Expenses	(16,389,739)	(12,191,968)
Loss before tax	(6,002,644)	(12,049,116)
Tax expense	-	-
Loss after tax	(6,002,644)	(12,049,116)

23. COMMITMENTS AND CONTINGENCIES

	31 March 2022	30 June 2021
Leases recognised as a liability		
Non-cancellable operating leases contracted for capitalised		
• Not later than 12 months	98,495	204,644
• Between 12 months and 5 years	114,882	848,484
• Greater than 5 years	-	367,348
	213,377	1,420,476

Previously the Group leased its production facility and its head office in Australia however during the current period, the production facility and two adjacent properties were acquired extinguishing commitments totalling \$1,384,618.

Bank guarantees

The Group has bank guarantees in the amount of \$118,594 outstanding as at 31 March 2022 (30 June 2021: \$118,594).

24. 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.

25. PARENT ENTITY

	31 March 2022	30 June 2021
Total current assets	32,480,278	47,638,974
Total non-current assets	44,180,783	26,894,922
Total assets	76,661,061	74,533,896
Total current Liabilities	(3,144,185)	(2,462,537)
Total non current liabilities	(3,917,000)	(1,215,832)
Total liabilities	(7,061,185)	(3,678,369)
Share capital	90,254,064	86,197,119
Reserves	2,370,798	1,857,348
Accumulated deficit	(23,024,986)	(17,198,939)
Total shareholder's equity	69,599,876	70,855,528
Net profit/(loss) and comprehensive income	(5,826,047)	257,317

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.

26. RELATED PARTY TRANSACTIONS

	Salaries and fees ¹	Short term incentive ²	Post employment	Share based payments	Other ²	Total
As at 31 March 2022						
<i>Directors</i>						
Michael Lynch-Bell	100,521	-	-	33,947	-	134,468
Dr. Neale Fong	45,900	-	4,590	16,973	-	67,463
Fleta Solomon	234,615	24,400	16,834	308,338	18,655	602,842
Angus Caithness	209,885	21,600	16,834	304,474	(4,280)	548,513
	590,921	46,000	38,258	663,732	14,375	1,353,268
As at 30 June 2021						
<i>Directors</i>						
Michael Lynch-Bell	130,878	-	-	32,858	-	163,736
Dr. Neale Fong	75,763	-	3,069	16,429	-	95,261
Fleta Solomon	269,684	161,927	35,660	361,624	140,328	969,223
Angus Caithness	267,510	140,600	28,272	361,624	35,754	833,760
	743,836	302,527	67,001	722,535	176,082	2,061,980

(1) Salaries and fees in 30 June 2021 include share rights issued in lieu of salary.

(2) Other benefits represent car parking paid for by the company as well as movements in the annual leave and long service leave provisions. In the 30 June 2021 it also included a cost of living allowance for Ms. Fleta Solomon in Switzerland.

27. AUDITORS' REMUNERATION

The auditor of the Group is Deloitte Touche Tohmatsu.

	31 March 2022	30 June 2021
Amounts received or due and receivable by Deloitte for:		
Fees to the group auditor for the audit or review of the statutory financial reports of the Company and subsidiaries	211,991	109,000
Fees to the group auditor for the audit or review of the statutory financial reports of the Company and subsidiaries	47,500	-
	259,491	109,000

28. 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.

29. EVENTS AFTER THE REPORTING DATE

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 other than the signing of supply agreements with Four20 Pharma and Demecan, both in Germany and Sana Life Sciences in the United Kingdom and the partial deferral of the Canopy Loan Note referred to in Note 11 which was originally due on 30 June 2022 but will now be split with C\$7.5 million due on 30 June 2022 and the remaining C\$3.57 million plus interest of 8.57% per annum due on 31 December 2022.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes for the period ended 31 March 2022 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 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 consolidated entity;
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.
3. The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



Michael Lynch Bell
Independent Non-Executive Chair



Fleta Solomon
Chief Executive Officer

10

Shareholder information



Shareholder information

We are Little Green Pharma Ltd: Australia's most trusted medicinal cannabis company and a leading global medicinal cannabis supplier.

ORDINARY SHARE CAPITAL

240,266,771 fully paid ordinary shares are held by 11,782 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

TOP 20 SHAREHOLDERS (CONSOLIDATED) AS AT 6 JUNE 2022

NAME	UNITS	% UNITS
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED ¹	55,505,317	23.10
MS. FLETA JENNIFER SOLOMON	20,255,439	8.43
UBS NOMINEES PTY LTD	15,104,743	6.29
BARBRIGHT AUSTRALIA PTY LTD <INTERQUARTZ SUPER A/C>	8,087,087	3.37
BNP PARIBAS NOMS PTY LTD <DRP>	7,477,782	3.11
BANQUO CONSULTING PTY LTD	9,000,000	3.75
BENONI PTY LTD <THE MKJ SUPER FUND A/C>	2,300,000	0.96
MS. JENNY LORRAINE MCKAY <J & K MCKAY FAMILY A/C>	2,230,010	0.93
CITICORP NOMINEES PTY LIMITED	2,000,256	0.83
MR. SEAN EDWARD REID + MS. LOUISE JANE PILKINGTON	1,552,600	0.65
MR. ANGUS CAITHNESS	1,410,942	0.59
MR. DAMIEN BOOTH	1,358,639	0.57
MS. MARY BERNADETTE DAVIS	1,330,000	0.55
JENSEN PTY LTD	1,152,715	0.48
SUPERHERO SECURITIES LIMITED <CLIENT A/C>	1,110,627	0.46
MR. EAN MALCOLM ALEXANDER	900,000	0.37
FULL MOON HOLDINGS PTY LTD <THE KOSTERICH FAMILY A/C>	849,195	0.35
MR. MICHAEL DAVID LYNCH-BELL	833,743	0.35
JENSEN JARRAH PTY LTD	769,231	0.32
INTERDALE PTY LTD <MAPLE SUPER A/C>	759,889	0.32
TOTAL	133,988,215	55.78%

The number of shareholders, by size of holding, in each class are:

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 - 1,000	2,816	2,120,614	0.88
1,001 - 5,000	5,448	13,185,382	5.49
5,001 - 10,000	1,616	12,365,647	5.15
10,001 - 100,000	1,759	47,331,561	19.70
100,001 Over	143	165,263,567	68.78
TOTAL	11,782	240,266,771	100.00

There are 4,638 holdings comprising less than a marketable parcel.

SUBSTANTIAL SHAREHOLDERS AS AT 6 JUNE 2022

NAME	UNITS	% UNITS
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	55,505,317	23.10%
MS. FLETA JENNIFER SOLOMON	20,255,439	8.43%
UBS NOMINEES PTY LTD	15,867,461	6.29%

OPTION HOLDINGS

4,073,536 options are held by one individual option holder.

The Company has the following classes of options on issue at 6 June 2022 as detailed below.

Options do not carry any rights to vote.

CLASS	TERMS	NO. OF OPTIONS
LGPOPT4	UNLISTED OPTIONS	Exercisable at \$0.42 expiring on or before 31 July 2022
LGPOPT5	UNLISTED OPTIONS	Exercisable at \$0.48 expiring on or before 31 July 2022
		4,073,536

OPTIONS RANGE	UNLISTED OPTIONS	
	NO. OF HOLDERS	NO. OF OPTIONS
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	1	4,073,546
	1	4,073,546

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

HOLDER	LGPOPT4	LGPOPT5
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 used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

ESCROW SECURITIES

The following securities are subject to voluntary escrow:

CLASS	ESCROW TERM	UNITS
Fully paid ordinary shares	30 September 2022	1,000,000
Fully paid ordinary shares	17 August 2022	2,713,801

SHARE RIGHTS AND PERFORMANCE RIGHTS

As at 6 June 2022 the Company has the following share rights and performance rights on issue which vest and are convertible (1 to 1 basis) to fully paid ordinary shares upon satisfaction of the relevant milestone, as follows:

SECURITY	NUMBER	EXPIRY	MILESTONE
Performance Rights	833,333	3 February 2025	<p>Share price milestone of \$0.55 achieved on 18 December 2020.</p> <p>500,000 performance rights vested on 18 December 2021, with 166,666 of these vested rights subsequently being exercised leaving a balance of 333,333 vested performance rights. The remaining 500,000 performance rights vest on 18 December 2022.</p> <p>Holder must be employee at date of vesting.</p>
Performance Rights	833,333	3 February 2025	<p>Share price milestone of \$0.65 achieved on 3 February 2021.</p> <p>500,000 performance rights vested on 18 December 2021, with 166,666 of these vested rights subsequently being exercised leaving a balance of 333,333 vested performance rights. The remaining 500,000 performance rights vest on 18 December 2022.</p> <p>Holder must be employee at date of vesting.</p>
Performance Rights	833,333	3 February 2025	<p>Share price milestone of \$0.75 achieved on 10 February 2021.</p> <p>500,000 performance rights vested on 18 December 2021, with 166,666 of these vested rights subsequently being exercised leaving a balance of 333,333 vested performance rights. The remaining 500,000 performance rights vest on 18 December 2022.</p> <p>Holder must be employee at date of vesting.</p>
Performance Rights	1,500,000	17 August 2026	<p>500,000 vest upon the Company's 20 day share price volume weighted average price equalling at least \$0.95 to 17 August 2024, thereafter:-</p> <ul style="list-style-type: none"> • 500,000 rights vest 12 months after achievement of this Milestone • 500,000 rights vest 24 months after achievement of this Milestone <p>Holder must be employee at date of vesting.</p>
Performance Rights	1,500,000	17 August 2026	<p>500,000 vest upon the Company's 20 day share price volume weighted average price equalling at least \$1.10 to 17 August 2024, thereafter:-</p> <ul style="list-style-type: none"> • 500,000 rights vest 12 months after achievement of this Milestone • 500,000 rights vest 24 months after achievement of this Milestone <p>Holder must be employee at date of vesting.</p>
Performance Rights	1,500,000	17 August 2026	<p>500,000 vest upon the Company's 20 day share price volume weighted average price equalling at least \$1.25 to 17 August 2024, thereafter:-</p> <ul style="list-style-type: none"> • 500,000 rights vest 12 months after achievement of this Milestone • 500,000 rights vest 24 months after achievement of this Milestone <p>Holder must be employee at date of vesting.</p>
Share (Director retention) Rights	450,000	20 February 2025	Vest on 20 February 2023 subject to continued employment.
Share (Management retention) Rights	750,000	20 February 2025	Vest on 20 February 2023 subject to continued employment.
Share (Director retention) Rights	105,000	20 February 2026	Vest on 20 February 2024 subject to continued employment.
Share (Employee) Rights	281,500		Vest on 1 July 2022 subject to continued employment, with all vested rights automatically converting to fully paid ordinary shares on 14 July 2022.
Share (Employee) Rights	280,500		Vest on 1 July 2023 subject to continued employment, with all vested rights automatically converting to fully paid ordinary shares on 14 July 2023.

About Little Green Pharma

Little Green Pharma was founded in 2016 with a simple dream – to make affordable, quality-manufactured cannabis medicines for patients in WA.

And we wanted to be different, to distinguish ourselves from “Big” Pharma. Hence our name: Little Green Pharma.

In the beginning, this was only a small dream. But sometimes dreams need to grow.

Today, with over 35 tonnes of installed biomass capacity and more than 120 employees in four countries, we’re not quite so little. But our dream hasn’t changed: it’s just grown with us.

Today, our mission is to transform the accessibility of medicinal cannabis for patients and prescribers globally.

Today, each decision is underpinned by a single question – *will this ultimately help patients and prescribers better access high-quality medicinal cannabis.*

We’ve achieved so much over the past 6 years. We helped pioneer the Australian medicinal cannabis industry, and in the process became a leading global pure-play medicinal cannabis supplier.

We’re rightly proud of what we’ve become, and where we’re going.

But mostly, we’re proud of what we do for our patients. And as an investor and supporter of Little Green Pharma, we hope you feel proud too.



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