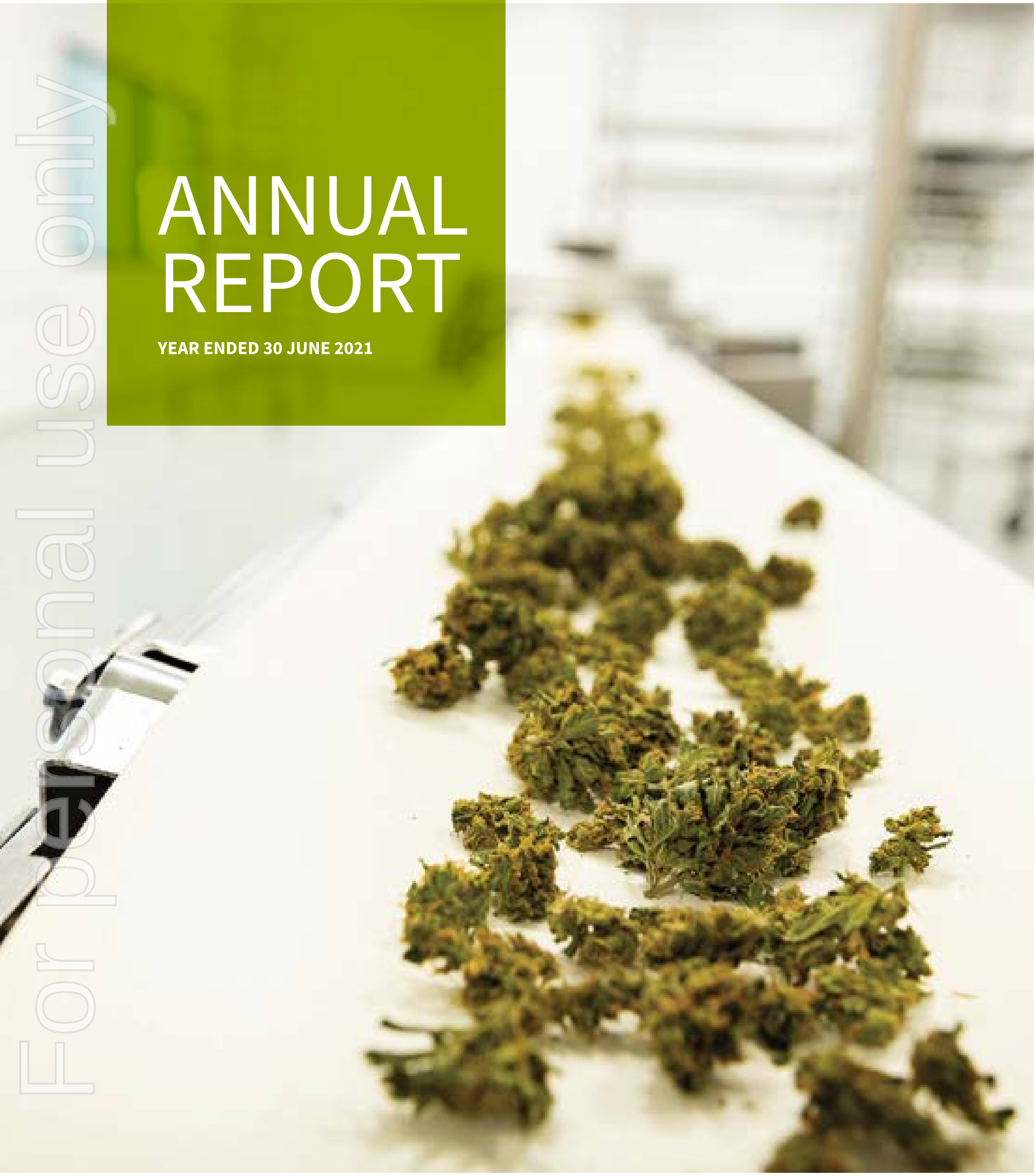
LITTLE GREEN PHARMA

ABN 44 615 586 215



ANNUAL REPORT

YEAR ENDED 30 JUNE 2021

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little green pharma

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CONTENTS

CORPORATE DIRECTORY

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

Company Secretary
Mr Alistair Warren

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Perth, Western Australia 6000
ASX Code: LGP

Notice of AGM
The Annual General Meeting of Little Green Pharma Ltd will be held at 2pm (AWST) on 5 November 2021.

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WHO WE ARE

We are Little Green Pharma Ltd (**Little Green Pharma**, **LGP**, the **Company** or **Group**): a leading global medicinal cannabis business with key production assets in Australia and Europe.

To date, our success has been driven by our first-mover status – we were the first Australian producer and exporter of cannabis medicines – and our rapid, early entry into key global markets.

Today, our primary goal is to improve patient access to GMP-grade cannabis medicines around the world.

We do this by operating across the supply chain, from cultivation, manufacturing, distribution, and stakeholder engagement, which allows us to navigate barriers to access and provide our distributors, prescribers, and patients with a seamless end-to-end service for a broad range of cannabis medicines.

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

We are proud to be Little Green Pharma, and making a world of difference.

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

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.

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CHAIRMAN'S LETTER

Dear Shareholders,

Financial year 2021 has been another remarkable year for Little Green Pharma.

Our acquisition of one of Europe's largest medicinal cannabis production assets represented a step-change for LGP, giving the Group dramatically increased capacity and proximity to markets in support of our early-mover strategy into the EU. That step change was recognised by the calibre of institutional support for the transaction, which included Hancock Prospecting, one of Australia's largest mining and resources companies with diversified interests across a range of industries.

In addition, the Company consolidated and expanded its international sales pipeline into Europe, through significant growth in orders from Demecan in Germany, its successful selection as a primary supplier to the French medicinal cannabis pilot, and its entry into an exclusive distribution partnership in Poland with a subsidiary of Pelion, the largest operator in the Polish and Lithuanian healthcare sectors.

In Australia, we had another impressive year of growth in domestic sales, which together with international sales resulted in revenue of $7 milllion, an increase of 217% from the previous financial year. The Company also further enhanced its patient and prescriber offering, including through its patient concierge service and a prescriber education portal, which provide additional support and resources specific to LGP's product lines. Since the release of our first cannabis medicines in August 2017, more than 15,200 patients have now been prescribed LGP medicinal cannabis products.

While COVID uncertainty presented operational difficulties for the Company in early 2020, the Group has managed to operate successfully throughout the reporting period, including by optimising procurement, inventory and transportation lines to ensure minimal delays.

Meanwhile, the Company continues to grow its R&D capabilities and offerings. The QUEST Initiative, LGP's hallmark observational study conducted by the University of Sydney, has now onboarded 120 prescribers and recruited 1,700 participants, with findings expected to be peer-reviewed and published later in 2022. A clinical investigation into the Company's LGP Classic 10:10 medicinal cannabis oil also concluded the medicine was safe and effective for the treatment of chronic refractory pain, with the Company now progressing a further clinical trial investigating the efficacy of medicinal cannabis for the treatment of symptoms associated with fibromyalgia. Meanwhile, the Company's ARISE project is moving through the first of three phases, with the Company optimising overall yield and carrier excipients before moving to phase two.

The reporting period also saw the introduction of several new products, including our popular Desert Flame medicinal cannabis flower product, as well as our LGP Classic 1:100 oil medicine and specific medicinal cannabis oils formulated for the French trial. Post-reporting period, the Company has also imported its first shipment of Danish cannabis flower medicine into Australia.

Today, the Company is relentlessly focused on integrating its Danish assets and growing its sales pipelines into Australia and internationally, while completing the expansion and consolidation of its production facilities at home. With its significantly enhanced production platform, well-established distribution lines, and strong in-market brand and global reputation, we believe the Company is extremely well positioned for another year of significant growth.

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

Your sincerely

Michael Lynch-Bell
Independent Non-Executive Chair

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A MESSAGE FROM THE MANAGING DIRECTOR

There is nothing little about the progress Little Green Pharma has made in the last year.

Catalysed by the Covid-19 pandemic, the first half of financial year 2021 was a year of cash conservatism that resulted in the Company's maiden half yearly profit. To know we could batten down the hatches, ride out the pandemic, and grow organically was a testament to our strong business model and team. However, the opportunities for significant expansion remained outside Australia, and required us to look externally to international markets.

Recognising the need for a platform to capitalise on our early mover status and brand recognition in Europe and Australia, we made the strategic decision to acquire a world-class GMP-licensed medicinal cannabis cultivation and manufacturing facility in Denmark (EU).

Formerly owned by Canopy Growth Corporation, LGP's Denmark Facility is one of the largest medicinal cannabis production assets in Europe and capable of producing more than 20 tonnes of GMP biomass per annum. With the purchase we acquired immediate access to an operational, world-class facility and top-quality team that complemented our Australian operations perfectly.

In conjunction with the acquisition, the Company also completed a successful $27.2 million Placement which received strong support from some of the biggest investor names in Australia, including Hancock Prospecting.

Uniquely positioned, the Company now has a laser focus on rapid market growth utilising its early mover advantage in European markets. Our international sales momentum continued as the company grew its relationship with key distribution partner Demecan in Germany, as well as being selected for the French Government's medicinal cannabis pilot in France. These position the Little Green Pharma brand optimally for both the German market as well as the future French market that the Company anticipates will be catalysed by the trial. The addition of strong distribution partners in Poland and Denmark have further consolidated the Company's competitive position as the European medicinal cannabis market continues to develop.

Domestically in Australia, we have experienced record growth in underlying patient demand with 10,600 new patients in financial year 2021, an increase of 130% in new patients from last year.

LGP also ended the financial year with a strong balance sheet and $40.2 million cash at bank.

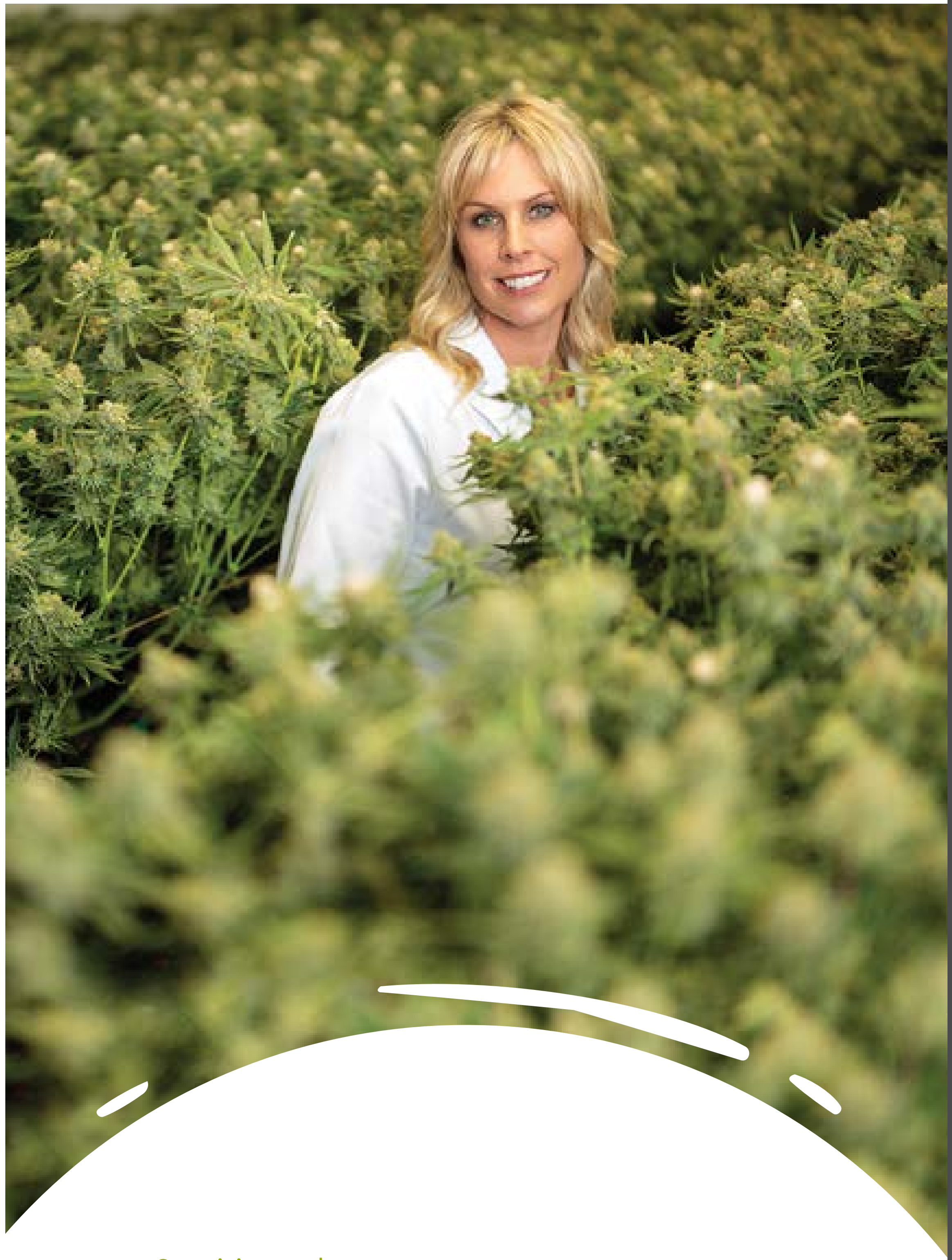
I remain incredibly grateful to our loyal shareholders – both large and small, old and new. With your support and belief, you have given us an exceptional advantage across our operations.

To all the Little Green Team, this business is succeeding thanks to your passion and commitment. On behalf of LGP and our patients around the world, I am forever grateful for your tireless contribution to advance our vision and purpose:

To do extraordinary things for patients and solve real patient problems

Yours in Health,

Fleta Solomon
Managing Director



217%
Revenue growth

130%+
Increase in patient numbers

530+
Active Australian prescribers

50+
Medical conditions approved for treatment with LGP products

3
New medicinal cannabis products launched

$54.2
Million in new capital raised

Our vision and purpose:

To do extraordinary things for patients and solve real patient problems.

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STRATEGY

While continuing to operate a lean business model and drive fiscal discipline within the Group, the Company's strategy is clearly focused on aggressively driving sales within Australia and globally by fostering new and existing distribution pathways across Australia, Europe and elsewhere.

LGP's acquisition of its Danish production facility armed the Group with the necessary global production capacity and market proximity to help realise this strategy. The Group continues to carefully develop its supply profile into multiple markets as it negotiates and executes LGP-branded and white-label supply arrangements with various distribution partners.

Meanwhile, the Company continues to focus on the development of unique, high-margin drug delivery systems to further differentiate LGP in the market.

The Company's growth strategy comprises three key pillars:

1

Patient acquisition in Australia

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

2

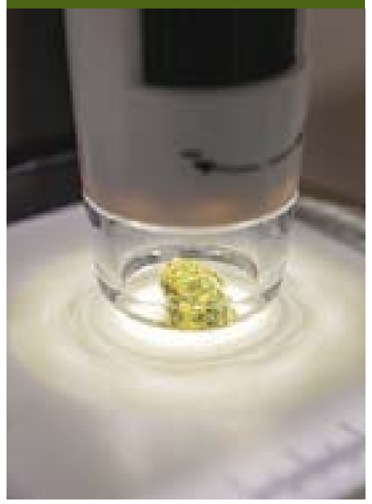
Clear pathway to international sales

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

3

Product and drug delivery innovations

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



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CAPABILITY

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

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CULTIVATION AND PRODUCTION

During financial year 2021, high demand for LGP's cannabis flower medicines led LGP to ramp up production to 100% at its state-of-the-art cultivation facility in Australia within just six months.

The facility is currently producing 3 tonnes of dried biomass per annum which is then processed for Australian and overseas markets.

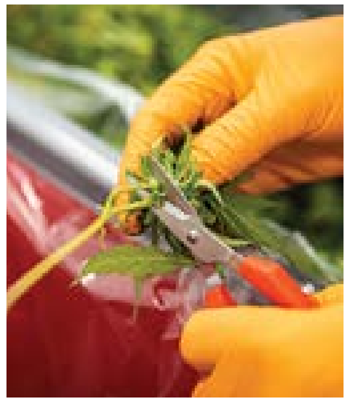
The Company's acquisition of its Danish facility in June 2021 represented a step-change in the Group's global production capability, with the 21,500m^2 cultivation site capable of producing over 20 tonnes of biomass annually. LGP is currently ramping up production to 50%, with the additional footprint allowing the Company to further expand its trials to maximise yields, optimise growing techniques, investigate cannabinoid production, and create a platform for creating high quality, cannabis medicines.

MANUFACTURING

During financial year 2021, LGP completed construction of its WA in-house manufacturing facility for post-harvest flower drying and cannabis extraction on time and on budget, with the facility subsequently granted a Therapeutic Goods Administration (TGA) GMP certification to manufacture cannabis flower medicines and cannabis extracts (oils), tinctures and APIs.

During the reporting period, LGP continued to make significant progress scaling up its in-house manufacturing capacity and capability to meet demand for quality Australian medicinal cannabis oil products as well as producing its first finished medicinal cannabis flower products.

In June 2021, LGP also acquired its Denmark facility which added 4,000m^2 of post-harvest GMP manufacturing capacity and included an in-house GMP-certified testing laboratory.



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PRODUCT INNOVATION

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

THIS STRATEGY INCLUDES:

- launching an expanded range of medicinal cannabis oil and flower products to meet immediate patient demand in Australian and overseas markets; and
- developing innovative prescription medicines, including novel delivery systems and precisely formulated cannabinoid products.

EXPANDED PRODUCT RANGE

During financial year 2021, LGP's Australian product range increased from four to six products with the introduction of the CBD dominant LGP Classic 1:100 oil formulation in February 2021 and the LGP Flower THC 22 – Desert Flame whole flower formulation. The Desert Flame flower product in particular performed strongly in the market, quickly selling out due to unanticipated patient demand. LGP also intends to expand its Australian flower range in the first half of financial year 2022 having already imported its first shipment of Billy Buttons THC-16 cannabis flower medicine from its Denmark facility into Australia.

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

RESEARCH AND DEVELOPMENT UPDATE

LGP's hallmark quality of life QUEST study continues its successful recruitment of patients by more than 130 prescribers (as at date of report) in centres across six Australian states and territories.

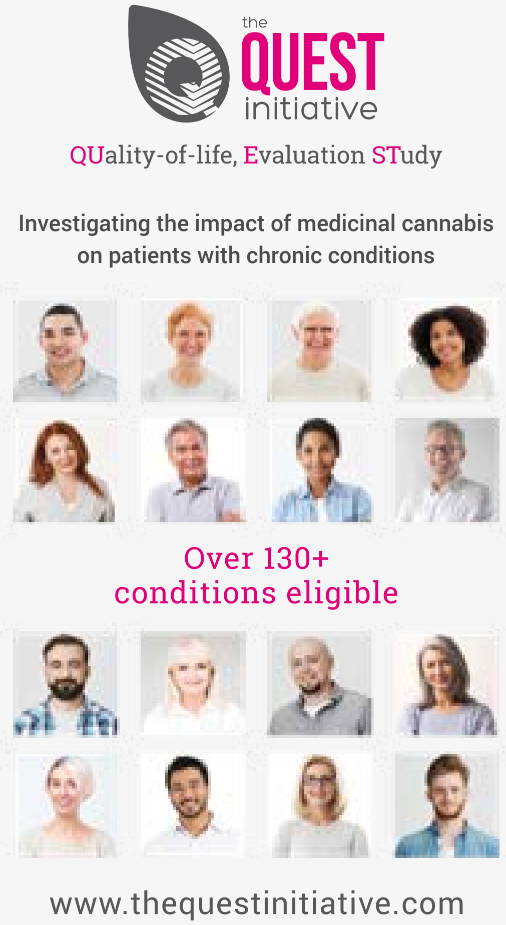
The Company currently anticipates sufficient baseline recruitment to conduct three month results analysis before the end of financial year 2022, with analysis findings expected to be peer-reviewed and published later in calendar 2022.

Since successful completion of the clinical investigation into the use of LGP Classic 10:10 for the treatment of chronic refractory pain, the Company has also commenced sponsorship of a clinical trial investigating the efficacy of medicinal cannabis to treat symptoms associated with fibromyalgia.

Meanwhile, the ARISE project has progressed through Phase 1 – a six month phase – and the first of three phases totalling 18 months. ARISE is a supercritical fluid anti-solvent extraction technology which generates micron and sub-micron size particles of active pharmaceutical agents.

Phase 1 involves identifying the ideal excipients for each of the targeted anatomical sites of drug delivery. The Company has successfully applied cannabis to the ARISE process and is now optimising the process to improve overall yield and confirm the best carrier excipients. It is expected that the ARISE technology will form the basis of LGP's prescription medication registration pipeline.

Optimisation of the Company's liposomal delivery technology continues and is expected to be finalised in financial year 2022. The Company also continues to investigate its proposed option to formulate and register a Schedule 3 CBD cannabis medicine as a priority project for the Company.



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EDUCATION

Healthcare practitioner education and outreach remains a critical component of LGP's commercial strategy. In financial year 2021, LGP continued to engage with healthcare professionals to support their education into the benefits of cannabinoid medicines.

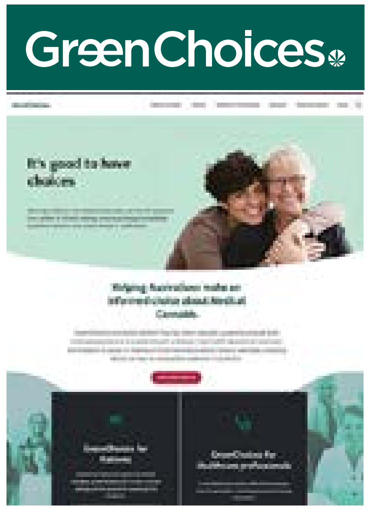
The launch of LGP's medical portal has allowed subscribing healthcare professionals to access extensive resources on medicinal cannabis, prescribing LGP medicines, treatment and dosing guides, and research on conditions treated with medical cannabis; and to view webinars and live events: see *littlegreenpharma.com/ medical-portal/register*

With easy-to-access digital education, LGP also offers an access portal for patients and healthcare professionals located on its sponsored site, *GreenChoices.com.au.* This allows prescribers to access a range of resources to improve professional knowledge, and a directory that connects patients to doctors familiar with prescribing medicinal cannabis.

Due to travel and lockdown restrictions LGP has continued to enhance its online offering through additional online training courses, webinars, and virtual meetings to engage with existing and new healthcare professionals.

LGP has also expanded its medical science liaison team to support the education of doctors and now has strong representation across both east and west coasts of Australia.

www.littlegreenpharma.com/ medical-portal/register



www.greenchoices.com.au

Webinars

CLINICAL INVESTIGATIONS

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

The Company was also selected as one of four primary suppliers to the French Government's two year Pilot Program, which aims to confirm the safety profile of medicinal cannabis in advance of the potential legalisation of medicinal cannabis in France post-trial.

Supporting healthcare professionals to make a world of difference.

Patients 10,600+

To 30 June 2021 vs. 4,566 to 30 June 2020.

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DISTRIBUTION

During the reporting period, the Company demonstrated strong sales growth in both Australia and overseas with an increase in sales revenue from $2.2 million to ~$7 million. The Australian medical cannabis market continues to grow with strong patient demand and almost 87,000 SAS B approvals granted via the TGA's Special Access Scheme.

Total Australian SAS B approvals

87,000

in financial year 2021.

During the year, LGP continued to grow its sales in the German market, with its first medicinal oil shipment to CC Pharma in November 2020 and its first medicinal flower shipment to Demecan in February 2020. The Company also delivered its first shipment to the UK.

In January 2021, LGP was appointed as a primary medicinal cannabis oil supplier for the national French medicinal cannabis trial in partnership with Intsel Chimos, a leading French pharmaceutical distributor. Success of the trial is anticipated to catalyse legalisation of a ~€4 billion French medicinal cannabis market. The trial will be the sole pathway for the supply of cannabis medicines into France until the end of calendar year 2023, and is anticipated to provide LGP with a significant first mover advantage in any future French market.

In April 2021, LGP signed a five-year distribution agreement with Denmark-based Balancial for the supply of medicinal cannabis oil and flower products and is actively pursuing agreements for the sale, export, and/or distribution of LGP products into other international markets, including opportunities in South America and New Zealand.

FUNDRAISING

During the period, the Company raised a total of ~$54 million from institutional and retail investors, being a $22 million Placement and $5 million Share Purchase Plan in February 2021, and a $27.2 million Placement in June 2021 in connection with its acquisition of the LGP Denmark facility, the latter including a $15 million subscription by Hancock Prospecting.

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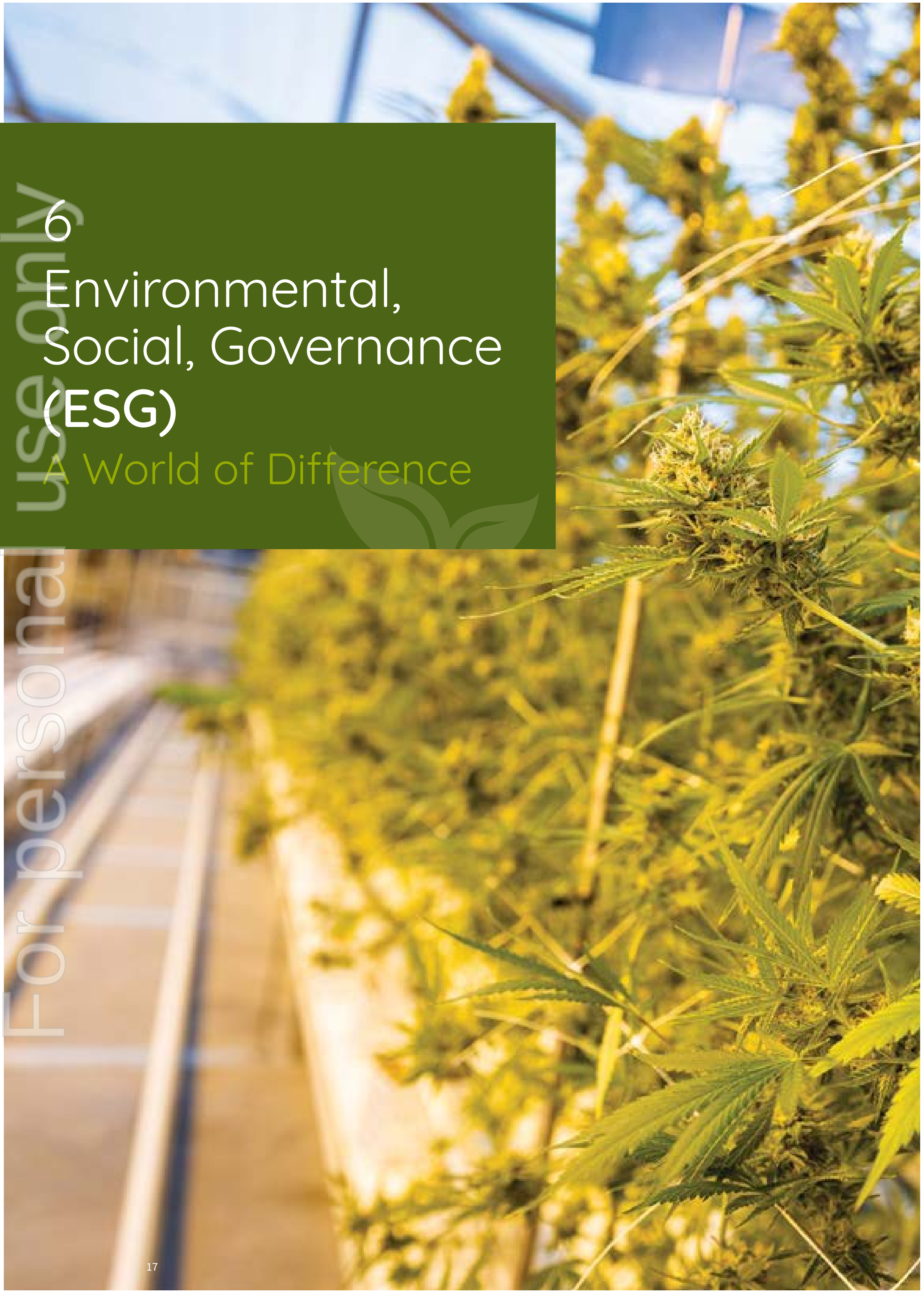
6 Environmental, Social, Governance (ESG)

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 ensures the Company already has a strong ESG profile.

To help close remaining gaps, the Company has established a Green Committee, with the clear objective of identifying any remaining improvements and facilitating the Company's ESG compliance journey.

The Committee focuses on assessing the Six Dimensions of Impact (modelled by the Boston Consulting Group)[1] that identify a holistic range of societal benefits capable of being generated by a business. By adding a societal impact lens to our strategy, Little Green Pharma has begun creating a framework to ensure its core business both contributes to society as well as ensuring a positive correlation with financial performance.

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

The Green Committee explores environmental, social and governance issues relevant to the production of cannabis-based medicines for the healthcare sector. Through the Six Dimensions of Impact, the Committee works to identify likely ESG gaps and set credible ESG goals for the LGP Group. A significant decision by the Company has been to move to 100% renewable power at its WA production facility. The Company's Danish facility also currently draws approximately 45% of its power consumption from renewable sources, with the Company looking to increase this to 100% over the coming year.

The following table identifies the Six Dimensions of Impact as well as the Company's current areas of investigation and focus applicable to companies that produce and manufacture cannabis-based medicines in the healthcare sector:

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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 is currently investigating increasing its percentage of renewable power consumption from ~45% to 100% at 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 9,000 m^3 of rainwater on site in closed basins. Only wastewater from processing and cleaning in WA are disposed via sewerage systems.
	Waste & 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 all 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 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 & affordability	➔	Company provides significant support to prescribers and patients seeking to access medicinal cannabis, including through various product & educational platforms as well as medical science liaison and customer support 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 20 – 73 and an average age of 44.

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

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7 Directors' Report

The Directors present this report for the financial year ended 30 June 2021.

Directors

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

Mr Michael Lynch-Bell
Independent
Non-Executive Chair

Dr Neale Fong
Independent
Non-Executive Director

Ms Fleta Solomon
Managing Director

Mr Angus Caithness
Executive Director

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

Information on Directors

Michael Lynch-Bell

Independent
Non-Executive Chair

Michael is an experienced corporate finance executive and consultant. Michael led Ernst & Young's UK IPO and Global Natural Resources transaction teams in the Transaction Advisory practice and has been involved advising companies on fundraising, re-organisations, transactions, corporate governance as well as IPOs. Michael is a former Chair of the Bureau and current member of UNECE's Expert Group on Resource Management and a Non-Executive Director of Barloworld Limited (JSE:BAW), Senior Independent Director and Remuneration Committee Chair of Gem Diamonds Limited (LSE:GEMD), Audit Committee Chair of Lenta Limited (LSE:LNTA) MCX:LNTA) and previously Deputy Chair and Nomination Committee Chair of Kaz Minerals plc. Michael is also Chair of the Company's Remuneration & Nomination Committee.

Dr Neale Fong

Independent
Non-Executive Director

Neale is a registered medical practitioner with over 35 years in senior leadership roles in private hospitals, the public health systems, management consulting, academia, health research, aged care and not for profit organisations. Neale is currently CEO of Bethesda Health Care and formerly Director General of the West Australian Department of Health. Neale is an experienced ASX company director including a former non-executive Director of Neurotech International Limited (ASX:NTI) and executive chair of Chrysalis Resources Limited (ASX:CYS) and has been a Fellow of the Australian Institute of Company Directors for 17 years. Neale is also Chair of the Company's Audit & Risk Committee.

Fleta Solomon

Managing Director

Fleta drives the strategic vision of the business and as Managing Director of Little Green Pharma has grown the company from a medicinal cannabis startup to an industry-leading medicinal cannabis brand in Australia and overseas. Fleta has 20 years' experience in corporate and consumer health markets and is a graduate of the Australian Institute of Company Directors (GAICD), holds a Bachelor of Science degree and an MBA from the University of Western Australia.

Angus Caithness

Executive Director

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

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Board and Committees

The Directors held nine directors' meetings, six Audit and Risk committee and four 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	9	9	6	6	4	4
Dr. Neale Fong	9	9	6	6	4	4
Ms. Fleta Solomon	9	9	-	-	4	4
Mr. Angus Caithness	9	9	6	6	-	-

In addition, 58 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 8 forms part of this Directors' Report.

During the reporting period LGP generated over $7 million in revenue with a profit after tax of $24,603,555, predominately reflecting the impact of the bargain purchase of the Denmark Facility (compared to the previous year's loss of $9,315,435). During this period, the Company experienced record growth in underlying demand in Australia with a 130% increase in new patients for the year. As at 30 June 2021, more than 15,000 patients have been prescribed the Group's medicinal cannabis products by more than 580 healthcare professionals in Australia alone.

Meanwhile, gross margin increased to 82% in the year ended 30 June 2021, up from 52% in the previous year, realised as a result of increasing scale and greater operating efficiencies. When excluding the gain on changes in fair value of biological assets, the gross margin increased to 61% in the year ended 30 June 2021, up from 51% in the previous year.

As at 30 June 2021, the Group had a strong cash position of $40.2 million.

During the reporting period, the Group's key focus has been on expanding its WA production operations, acquiring additional EU production capacity, further developing sales channels into Europe and internationally, and educating healthcare professionals 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 number of key achievements during the reporting period, including:

- the acquisition of a world-class GACP/GMP licensed medicinal cannabis production facility in Denmark (EU) capable of producing over 20 tonnes of biomass per annum (including 12 tonnes per annum of dried cannabis flower), for C$20 million;
- the successful fundraising of ~$54 million of capital pursuant to two placements and a Share Purchase Plan, including a $15 million investment by Hancock Prospecting;
- the completion of the first stage expansion of the Company's WA manufacturing facilities and the grant of a TGA GMP manufacturing licence for the manufacture of medicinal cannabis oil and flower medicines;
- sponsorship of the QUEST Initiative, a large-scale observational quality of life study into the treatment of chronic conditions with medicinal cannabis, and successful completion of a clinical investigation into the efficacy of LGP's Classic 10:10 medicinal cannabis oil in treating chronic refractory pain;
- the delivery of the Company's first medicinal cannabis oil to the UK and Germany and its first shipment of cannabis flower to Demecan, a key distribution partner for the Company in Germany;
- entry into new distribution agreements for Denmark and Poland;
- the award of one of four primary supplier roles to supply cannabis medicines to the French national medicinal cannabis Pilot Program;
- the delivery of pathfinder shipments to New Zealand and Brazil; and
- the entry into a strategic partnership with Health Insurance Fund (**HIF**) to support improved access to medicinal cannabis products, including through the payment of a rebate to eligible HIF members.

COVID-19

During the reporting period, the Company's operations were not materially impacted by COVID-19, (primarily due to advance preparation and inventory management); although the pandemic did result in increased costs and delays to imports, procurement and deliveries both within Australia and to and from the EU.

Given its impact on Australian interstate travel, COVID-19 also impacted the ability of the Company to progress its ARISE Project, with any continued travel interruptions likely to impact on the Project's development plans in the future. The pandemic also initially impacted on the ability of Company to send key management personnel to Denmark to support operational integration however these regulatory restrictions have now largely been successfully managed.

Company performance against expectations

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

Significant changes in the state of affairs

There were no significant changes in the nature or situation of the Company that occurred during the financial year 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 acquisition of 16,000 m^2 of land underlying the Company's WA production facilities as well as two adjoining properties for ~$6 million (with $4.2 million paid in cash and balance in scrip).

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

Environmental issues

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

Dividends

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

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Remuneration report

The Remuneration Report detailed on pages 26 to 30 of this Annual Report forms part of this Directors' Report.

Directors' shares and performance rights

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

Performance rights

During the reporting period, the executives successfully achieved the vesting conditions of the 3 million long-term incentive performance rights issued to them prior to the Company's Initial Public Offering. The first 1 million shares have been issued to the executives with the vesting of the remaining 2 million performance rights subject to the continued employment of the executives between 12 and 24 months from the date of satisfaction of the relevant share price milestone.

Otherwise, a total of 3 million performance rights were approved by shareholders and issued to executives in the post-reporting period. No performance rights were issued to directors during the reporting period.

Auditor's Independence Declaration

The Auditor's Independence Declaration set out on page 36 of this Annual Report forms part of this Directors' Report.

Corporate Governance Statement

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

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).

Indemnification and insurance of Directors and Officers

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.

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.

The Deed also entitles the Director or Officer to access Company documents and records, subject to undertakings as to security and maintenance of privilege, and to receive Directors' and Officers' insurance cover paid for by the Company.

During or since the end of the financial period, the Company has paid or agreed to pay a premium in respect of a contract of insurance insuring 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.

Proceedings

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

Signed in accordance with a resolution of the Directors:

Michael Lynch-Bell
Independent
Non-Executive Chair

Fleta J Solomon
Managing Director

28 September 2021

Remuneration Report

The Remuneration Report sets out the Company's remuneration strategy for the financial year ended 30 June 2021 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, Managing Director and Key Management Personnel. In line with its Charter, the Remuneration Committee is responsible for:

- reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and directors who will create value for shareholders;
- ensuring that the executive remuneration policy demonstrates a clear relationship between key director performance and remuneration; 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 Managing Director, and other senior executives as appropriate; and
- reviewing and approving any equity-based plans and other incentive schemes.

Relationship between the remuneration policy and Company performance

The performance measures for the Company's short-term incentive plan (**STI Plan**) and long-term incentive plan (**LTI Plan**) have been tailored to align with financial and operational objectives which create value for shareholders. The Remuneration Committee obtained guidance and industry data from Mercer, a remuneration consultant, in order to design STI and LTI Plans to motivate, retain and reward executive performance aligned to the Company's strategic objectives.

Key Management Personnel

The Remuneration Report details the performance and remuneration of Key Management Personnel (**KMP**) for the financial year 2021. KMPs are defined as persons having authority and responsibility for directing and controlling the activities of an entity directly or indirectly. The KMP comprise:

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

Components of remuneration – Executive team

During the financial year 2021, remuneration was structured according to the relevant employment agreements and performance measures in place.

Each of the executive team's employment agreements to 30 June 2021 consisted of fixed remuneration, car-parking benefits, an STI Plan and an LTI Plan. In addition, during the reporting period the Managing Director also received a cost-of-living allowance (**COLA**) and relocation payment associated with her relocation back to Perth in early 2021. 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 Managing Director between 30 June 2020 and 1 April 2021 was $295,000 plus superannuation, and $305,000 plus superannuation thereafter;

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- the Executive Director between 30 June 2020 and 1 April 2021 was $260,000 plus superannuation, and $270,000 plus superannuation thereafter.

The Managing Director and Executive Director received car-parking benefits of $3,500.

As part of the Company's COVID-19 response, the executives agreed to vary their fixed remuneration by reducing the cash component of their salary in return for receiving COVID-19 share rights issued under the Employee Securities Incentive Plan (**the Plan**). Each share right provides an entitlement to one ordinary share in the Company and were escrowed until 1 April 2021.

Each of the executives agreed to receive share rights in the Company in lieu of between 20% and 40% of their base salaries during the reporting period, resulting in the following issues:

- Managing Director: 155,439 share rights
- Executive Director: 187,298 share rights

Of these, all of the share rights held by the Managing Director and Executive Director have been converted to ordinary shares in the Company. Further details in relation to each executive's Service Contracts are provided below.

Variable Remuneration – Short Term Incentive Plan

The STI Plan of each executive's Service Contract 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 executive's performance against these milestones.

The reporting period includes the executive's STI Plan payments for calendar year 2020 as well as the first six months of the STI Plan for calendar year 2021. Following 30 June 2021, the Board resolved to end the calendar year 2021 STI Plan, assess the executives against the STI Plan performance requirements as at 30 June 2021, and adopt a revised STI Plan for the period 30 June 2021 – 30 June 2022, in order to align the executive's STI Plan with the Company's financial year.

For the period 1 January 2020 to 31 December 2020, the STI Plan set various revenue, new product, new country, cost control and cost of production targets; with executives entitled to 50% of their base salary for achievement of milestones and up to 70% of their base salary for exceedance of all milestones.

For the revised period 1 January 2021 to 30 June 2021, the STI Plan set revenue, gross margin, cost control, metrics related to QUEST and R&D progress; with executives entitled to 50% of their base salary for achievement of milestones and up to 70% of their base salary for exceedance of all milestones.

The executives received the following short term incentive payments and the Company has accrued the following amounts for the financial year ending 30 June 2021:

- Managing Director: STI payment of CHF73,278 for calendar year 2020 and an accrued STI payment of $54,000 for the period 1 January 2021 to 30 June 2021; and
- Executive Director: STI payment of $93,600 for calendar year 2020 and an accrued STI payment of $47,000 for the period 1 January 2021 to 30 June 2021.

Variable Remuneration – Long Term Incentive Plan

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

The LTI Plan links a significant portion of at-risk remuneration with the Company's ongoing share price and therefore aligns executive performance with the return to shareholders over the performance period.

During the reporting period, the executives successfully achieved the vesting conditions of the 3 million long-term incentive performance rights issued to the executives prior to the Company's Initial Public Offering. The first 1 million shares have been issued to the executives with the vesting of the remaining 2 million performance rights subject to the continued employment of the executives between 12 and 24 months from the date of satisfaction of the relevant share price milestone.

Subsequent to the reporting period, Company shareholders approved the issue of 3 million performance rights as replacement long-term incentives to the executives on the following terms:

Class	Milestone	Milestone Period	Expiry Date	Number of Performance Rights	
				Managing Director	Executive Director
F	20 Day VWAP equalling $0.95	3 years from issue	5 years from issue	500,000	500,000
G	20 Day VWAP equalling $1.10	3 years from issue	5 years from issue	500,000	500,000
H	20 Day VWAP equalling $1.25	3 years from issue	5 years from issue	500,000	500,000
			Total	1,500,000	1,500,000

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.

Other performance rights and options

On 19 September 2020 the 1 million performance rights held by the Executive Director (convertible upon Company achieving $100 million market capitalisation) expired without vesting. The Executive Director also holds 3.5 million options in the Company that were issued in November 2017 and expire on 28 February 2022.

Service Contracts

Managing Director

The structure of the Managing Director's remuneration is in accordance with her employment agreement dated 1 December 2019. Ms Fleta Solomon was employed by the Company's Swiss subsidiary during her relocation to Switzerland and is currently employed by the Company. During the period 30 June 2020 to 4 February 2021, Ms Fleta Solomon was entitled to receive a base salary of CHF217,662 including pension. From 4 February 2021 until 1 April 2021 she was entitled to a salary of A$295,000 plus superannuation per annum, and from 1 April 2021 her salary was $305,000 plus superannuation per annum.

During the reporting period a proportion of Ms Fleta Solomon's cash salary was reduced and issued as shares in lieu as described in section 'Fixed remuneration and associated benefits' above. Ms Fleta Solomon is also entitled to participate in the Company's STI and LTI Plans.

Ms Fleta Solomon received a cost-of-living allowance for the period 30 June 2020 to 4 February 2021, to meet increased housing and related living expenses during her relocation period to Switzerland, and a relocation allowance in relation to her return to Australia.

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 $260,000 plus superannuation until 1 April 2021, and $270,000 plus superannuation from 1 April 2021. During the reporting period a proportion of Mr Angus Caithness's cash salary was reduced and issued as shares in lieu as described in section 'Fixed remuneration and associated benefits' above. 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.

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Components of remuneration – Non-Executive Directors

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

Non-Executive Directors receive fixed remuneration plus superannuation for their services with Mr Michael Lynch-Bell receiving $120,000 plus superannuation until 7 April 2021 and $122,400 plus superannuation from 7 April 2021, and Dr Neale Fong receiving $60,000 plus superannuation until 7 April 2021 and $61,200 plus superannuation from 7 April 2021.

Both Non-Executive Directors had their base salary reduced by 20% from 1 April 2020 to 1 July 2020 and reduced by 100% from 1 July 2020 until 31 December 2021, with such reductions in return for receiving share rights in lieu as per the Company's Covid-19 share rights plan as discussed above. This issue of share rights in lieu of salary resulted in the issue of 233,743 share rights to Mr Michael Lynch-Bell, which have all subsequently been converted to ordinary shares in the Company, and 116,871 share rights to Dr Neale Fong, of which 41,413 have subsequently been converted to ordinary shares in the Company.

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

In July 2021, shareholders approved the issue of 70,000 retention share rights to Mr Michael Lynch-Bell and 35,000 retention share rights to Dr Neale Fong. These retention share rights have now been issued and will vest on 20 February 2024, subject to continued employment of the relevant Director until the date of vesting, and expire 2 years from their vesting date. Each retention share right entitles the Director to the issue of one ordinary share in the Company.

The Non-Executive Directors 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. Each retention share right entitles the 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	
	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020
Salary and fees[1]	224,958	163,761	204,000	174,663	44,457	58,922	32,300	31,966
Shares rights in lieu of salary[2]	44,726	14,909	63,510	13,140	86,421	6,570	43,463	3,032
Other benefits[3]	126,627	121,857	3,500	3,500	-	-	-	-
Post employment benefits	35,660	47,048	28,272	12,635	-	5,303	3,069	3,037
Short term incentive paid in year	107,927	50,000	93,600	50,000	-	-	-	-
Short term incentive accrued in year	54,000	-	47,000	-	-	-	-	-
IPO listing incentive		100,000	-	100,000	-	-	-	-
Share based payments prior to IPO[4]	-	-	-	240,062	-	75,000	-	37,500
Share based payments post IPO	-	124,271	-	124,271	-	16,603	-	8,301
Share based payments 30 June 2021[5]	361,624	-	361,624	-	32,858	-	16,429	-
Expense for year	955,522	621,846	801,506	718,271	163,736	162,398	95,261	83,836
Performance related	55%	44%	63%	72%	N/A	N/A	N/A	N/A
Directors interest in shares	20,255,439	19,600,000	6,410,942	5,677,491	833,743	600,000	1,012,567	925,000

1. As at 30 June 2021, annual leave entitlements were $13,701 for Ms Fleta Solomon and $31,554 for Mr Angus Caithness, and Long Service Leave entitlements were $nil for Ms Fleta Solomon and $nil for Mr Angus Caithness.
2. Covid-19 Share Rights approved by shareholders.
3. Cost of living allowance and car parking for Ms Fleta Solomon in Switzerland; car parking for Mr Angus Caithness.
4. Accelerated vesting of performance rights and options for Mr Angus Caithness on IPO; Shares issued to Mr Michael Lynch-Bell and Dr Neale Fong on IPO.
5. Accrual of LTI plan for Ms Fleta Solomon and Mr Angus Caithness; retention incentive payable in shares to Mr Michael Lynch-Bell and Dr Neale Fong due on 20 February 2023.

SHARE BASED REPORTING

	F. Solomon		A. Caithness				M. Lynch-Bell		N. Fong	
	Performance Rights	Share Rights	Options	Performance Rights		Share Rights	Shares	Share Rights	Shares	Share Rights
Award date	16-01-20	26-11-20	19-11-17	19-11-17	16-01-20	26-11-20	16-01-20	26-11-20	16-01-20	26-11-20
Expiry date	16-01-25	25-11-22	19-09-22	19-09-20	19-01-25	25-11-22	20-02-23	25-11-22	20-02-23	25-11-22
Fair value of each instrument	$0.39	$0.38	$0.04	$0.12	$0.39	$0.41	$0.45	$0.40	$0.45	$0.40
Vesting period years	3.0	-	3.0	3.0	3.0	-	3.0	-	3.0	-
Exercise price	-	$0.38	$0.30	-	-	$0.41	-	$0.40	-	$0.55
Number of instruments[1]	1,500,000	155,438	3,500,000	6,500,000	1,500,000	187,298	550,000	233,743	275,000	116,871
Instruments vested prior to 30 June 2020	-	-	(3,500,000)	(5,500,000)	-	-	(250,000)	-	(125,000)	-
Instruments vested financial year 30 June 2021	(500,000)	(155,438)	-	-	(500,000)	(187,298)	-	(233,743)	-	(116,871)
Instruments expired financial year 30 June 2021[2]	-	-	-	(1,000,000)	-	-	-	-	-	-
Instruments still to vest at 30 June 2021	1,000,000[5]	-	-	-	1,000,000[5]	-	300,000[3, 5]	-	150,000[4, 5]	-
Instruments exercised during 30 June 2020	-	-	-	5,500,000	-	-	250,000	-	125,000	-
Grant date fair value of instruments exercised	-	-	-	$660,000	-	-	$112,500	-	$56,250	-
Exercise date fair value of instruments exercised	-	-	-	$2,475,000	-	-	$112,500	-	$56,250	-
Instruments exercised during 30 June 2021	500,000	155,438	-	-	500,000	187,298	-	233,743	-	41,413
Grant date fair value of instruments exercised	$211,500	$59,635	-	-	$211,500	$76,650	-	$92,921	-	$22,742
Exercise date fair value of instruments exercised	$320,000	$59,635	-	-	$320,000	$76,650	-	$92,921	-	$22,742

1. Performance rights associated with the LTI Plan as detailed above.
2. The 1,000,000 performance rights relating to the Company achieving a market capitalisation in excess of $100m expired during the period.
3. 250,000 shares were issued to Mr Michael Lynch-Bell as part of the IPO, with a further 300,000 retention shares to be issued 3 years post IPO.
4. 125,000 shares were issued to Dr Neale Fong as part of the IPO, with a further 150,000 retention shares to be issued 3 years post IPO.
5. Post year end 500,000 Class F Performance Rights, 500,000 Class G Performance Rights and 500,000 Class H Performance Rights were issued to each of Ms Fleta Solomon and Mr Angus Caithness as approved at 19 July 2021 General Meeting.

   Post year end 70,000 Director Retention Rights were issued to Mr Michael Lynch-Bell and 35,000 Director Retention Rights were issued to Dr Neale Fong as approved at 19 July 2021 General Meeting.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Little Green Pharma Ltd (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Key Audit Matters

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

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Revenue Recognition As disclosed in note 2 (h), Revenue recognised for the year-ended 30 June 2021 totals $7,003,630. 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. Revenue is recognised by management after assessing all factors relevant to each sale, including: • Any variable consideration; • Contractually agreed terms of the sale; • Type of product being sold; • Historical amounts received, current economic conditions and current industry conditions; and • Timing of transfer of title of the goods.	Our procedures included, but were not limited to: • Reviewing the revenue recognition accounting policy and assessing against the criteria set by the relevant accounting standard; • Assessing the operating effectiveness of the company's key internal controls; • agreeing all sales transactions for a specified cut of period of 7 days pre and post year to the sales invoice and related signed delivery document and assessing whether the revenue is recorded in the correct period based on understanding when the risks and rewards transferred. We also assessed the appropriateness of the disclosures in note 2 (h) to the financial statements.
Acquisition of Canopy Growth Denmark AsP Effective 21 June 2021, the Group acquired 100% of the share capital of Canopy Growth Denmark AsP as disclosed in note 15. Significant judgement was required in assessing the appropriateness of the allocation of consideration transferred to certain identifiable assets acquired, and liabilities assumed, including: • property, plant and equipment which requires assessment of value allocation between certain asset classes, judgements relating to useful lives and assumed residual values; • the valuation of biological assets and finished goods on hand at the time of acquisition; • consideration of the resulting bargain purchase was appropriate given the structure of the transaction; and • the impact of the transaction on associated tax balances, including the deferred tax impact on reset cost bases.	Our procedures included, but were not limited to: • reviewing the acquisition agreement to understand the nature of the acquisition and the implied consideration; • obtaining a copy of management's experts' valuation report commissioned to determine the fair values of the assets associated with the acquisition; • assessing the independence, competence and objectivity of management's experts; • assessing, in conjunction with our valuations specialists, the identification of assets acquired and liabilities assumed and the appropriateness of the methodologies and assumptions utilised by management and their experts; • evaluating the resulting provisional bargain purchase; and • assessing the calculation of deferred tax balances on the transaction with assistance from our tax specialists. We also assessed the appropriateness of the disclosures included in note 15 to the financial statements

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Valuation of Biological assets	Our procedures included, but were not limited to:

As disclosed in note 2 'Significant accounting estimates and judgements' and note 4 'Biological assets' as at 30 June 2021 the Group held $1.98 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:
 	
• Plant waste;
• Yield per plant;
• Cannabinoid yield per gram; and
• Stage of plant growth.
	• Obtaining an understanding of the processes and relevant controls over the key inputs and assumptions used by management to determine fair value;
	• Assessing the appropriateness of the valuation methodology;
	• Assessing and challenging the key assumptions in the valuation model as follows:
	  o Growth rates by comparing to historical trends;
	  o Yield per plant based on historical actuals;
	  o Average production cost per kilogram by comparing to historical trends and testing a sample of recent costs to external supporting evidence; and
	  o Sales price by agreeing to different types or revenue contracts; and
	
	• Performing sensitivity analysis on the key assumptions outlined above.
	
	We also assessed the appropriateness of the disclosures in note 4 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

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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.

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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 26-30 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Little Green Pharma Ltd, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Skelton
Partner
Chartered Accountants
Perth, 28 September 2021

Deloitte.

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

28 September 2021

Dear Directors

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

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

As lead audit partner for the audit of the financial statements of Little Green Pharma Ltd for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Skelton
Partner
Chartered Accountant

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9 Financial Report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2021	30 June 2020
Assets			
Current assets			
Cash and cash equivalents		**40,269,169**	4,273,564
Accounts receivable	3	**3,656,846**	629,657
Biological assets	4	**1,985,072**	13,857
Inventory	5	**7,253,866**	1,349,466
Prepaid expenses		**868,086**	34,553
Total current assets		**54,033,039**	6,301,097
Property, plant and equipment	6	**54,065,269**	7,488,069
Right-of-use assets	7	**1,345,710**	1,655,148
Refundable deposits	8	**834,085**	340,229
Intangible assets	9	**714,212**	620,375
Total non-current assets		**56,959,276**	10,103,821
Total assets		**110,992,315**	16,404,918
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	**3,486,056**	2,086,993
Loan note	11	**11,365,891**	-
Lease liability	7	**204,644**	240,003
Employee benefit obligations	12	**830,817**	335,896
Total current liabilities		**15,887,408**	2,662,892
Lease liability	7	**1,215,832**	1,445,113
Total non-current liabilities		**1,215,832**	1,445,113
Total liabilities		**17,103,240**	4,108,005
Net assets		**93,889,075**	12,296,913
Shareholders' equity			
Share capital	13	**86,197,119**	29,944,260
Reserves		**1,896,929**	1,161,181
Accumulated profit/(deficit)		**5,795,027**	(18,808,528)
Total shareholders' equity		**93,889,075**	12,296,913

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

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CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Note	Year Ended 30 June 2021	Year Ended 30 June 2020
Revenue			
Medicinal cannabis sales		7,003,630	2,204,021
Cost of sales			
Cost of goods sold		(2,760,749)	(1,084,564)
Gain on changes in fair value of biological assets		1,532,891	33,513
Gross margin		5,775,772	1,152,970
Expenses			
General and administrative		(3,516,736)	(4,383,000)
Sales and marketing		(2,109,737)	(1,455,017)
Education		(714,030)	(682,097)
Research and development		(1,780,218)	(1,005,165)
Licences, permits and compliance costs		(1,867,725)	(1,223,748)
		(9,988,446)	(8,749,027)
Loss from operations		(4,212,674)	(7,596,057)
Interest income		39,287	47,061
Finance expense		(91,542)	(400,035)
Research and development incentive	14	3,379,527	600,258
Government grants		520,777	320,081
Gain on bargain purchase	15	24,979,733	-
Fair value change on convertible note		-	(2,285,857)
Net foreign exchange		(11,553)	(886)
Profit/(loss) before tax		24,603,555	(9,315,435)
Tax expense	16	-	-
Profit/(loss) after tax		24,603,555	(9,315,435)
Other comprehensive income			
Exchange fluctuations on translation of foreign operations		95,594	(47,943)
Total comprehensive profit/(loss) net of tax		24,699,149	(9,363,378)
Net profit/(loss) per share			
Basic (cents)		16.01	(7.28)
Diluted (cents)		14.84	(7.28)
Weighted average number of shares outstanding			
Basic		153,720,092	127,945,514
Diluted		165,763,095	127,945,514

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital		Share based payment reserve	Translation reserve	Accumulated profit	Total
	No. Shares	$				
As at 30 June 2019	69,579,336	7,317,514	895,581	(8,070)	(9,493,093)	(1,288,068)
Loss after tax	-	-	-	-	(9,315,435)	(9,315,435)
Translation reserve	-	-	-	(47,943)	-	(47,943)
Total comprehensive income	-	-	-	(47,943)	(9,315,435)	(9,363,378)
Initial public offering	22,222,222	10,000,000	-	-	-	10,000,000
Convertible notes converted	34,841,176	12,946,949	-	-	-	12,946,949
Capital raising costs	-	(1,314,370)	-	-	-	(1,314,370)
Share based payments	6,858,335	-	1,315,780	-	-	1,315,780
Transfer on vesting	-	994,167	(994,167)	-	-	-
As at 30 June 2020	133,501,069	29,944,260	1,217,194	(56,013)	(18,808,528)	12,296,913
Profit after tax	-	-	-	-	24,603,555	24,603,555
Translation reserve	-	-	-	95,594	-	95,594
Total comprehensive income	-	-	-	95,594	24,603,555	24,699,149
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**	**39,581**	**5,795,027**	**93,889,075**

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year Ended 30 June 2021	Year Ended 30 June 2020
Operating activities			
Net profit/(loss) before tax		24,603,555	(9,315,435)
Items not involving cash			
Changes in fair value of biological assets		(1,532,891)	(33,513)
Depreciation and amortisation		685,266	380,370
Share-based payments		2,823,093	1,433,861
Interest on borrowings		(11,178)	-
Interest expense on lease liabilities		72,173	72,666
Interest on convertible notes at amortised cost		-	317,589
Fair value changes on convertible note		-	2,285,857
Gain on bargain purchase		(24,979,733)	-
Income tax paid		-	-
Changes in non-cash operating working capital			
Inventory and biological assets		(3,843,565)	(816,070)
Accounts receivable		(2,416,011)	(541,377)
Prepaid expenses		(174,463)	(29,098)
Accounts payable and accrued liabilities		(346,866)	47,527
Employee benefits obligations		(28,960)	149,056
Net cash flows from operating activities		(5,149,580)	(6,048,567)
Investing activities			
Acquisition of subsidiary net of cash	13	(10,572,939)	-
Purchase of plant and equipment		(898,912)	(6,325,877)
Purchase of intangible assets		(162,534)	(484,645)
Loans advanced to other parties		(600,000)	-
Refundable deposits		(500,000)	(269,532)
Net cash flows from investing activities		(12,734,385)	(7,080,054)
Financing activities			
Proceeds from issue of shares		56,355,000	10,000,000
Costs associated with the issue of shares		(2,238,199)	(1,314,370)
Convertible note issuance		-	9,000,000
Costs associated with the issue of convertible notes		-	(524,812)
Proceeds from borrowings		1,016,000	-
Repayment of borrowings		(1,016,000)	-
Payments for lease liabilities		(245,822)	(228,035)
Net cash flows from financing activities		53,870,979	16,932,783
Net change in cash and cash equivalents		35,987,014	3,804,162
Cash and cash equivalents, beginning of period		4,273,564	510,286
Effect of changes in foreign exchange		8,591	(40,884)
Cash and cash equivalents, end of year		40,269,169	4,273,564

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

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.

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 28 September 2021.

b) Basis of measurement

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

At 30 June 2021, the Group had $40 million in cash, a net working capital surplus of $38 million and after excluding share based payments, the gain on bargain purchase as well as depreciation and amortisation the Group's earnings were positive. The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows. The cash flow forecast is dependent on the Group achieving forecast targets for revenue, costs of production and overheads. Key to achieving forecast cash flows is the Group's ability to achieve assumptions for growth rates in patients, market share in Australia and international markets and gross margin. Whilst the Group was only moderately impacted by COVID 19 on initial onset of the virus in Australia, there remain the uncertain future impacts of COVID 19 from subsequent waves of infection. Further details are within note 25 Impacts and response to COVID 19.

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

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

c) Basis of consolidation

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

The Company has the following subsidiaries:

1. c) Subsidiaries table

Name of Entity	Country of Incorporation	Functional Currency	Ownership 30 June 2021	Ownership 30 June 2020
Little Green Pharma AG	Germany	Euro	100%	100%
Little Green Pharma Switzerland GmbH	Switzerland	CHF	100%	100%
LGP Operations Pty Ltd*	Australia	AUD	100%	-
LGP Holdings Pty Ltd*	Australia	AUD	100%	-
LGP Alternative Therapies Pty Ltd*	Australia	AUD	100%	-
Little Green Pharma Denmark ApS #	Denmark	DKK	100%	-

** Incorporated during the year; # Acquired during the year.*

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d) Functional and presentation currency

The Company'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.

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) Plant and equipment

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

- Leasehold improvements – units of production
- Cultivation and production equipment – 5 to 10 years straight line
- Manufacturing and scientific equipment – 5 to 10 years straight line
- Office equipment – 2 to 5 years straight line

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

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

Residual values and estimated useful lives are reviewed annually.

e) Financial instruments

i. Financial assets

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

Financial assets are derecognised when they mature or are sold and substantially all the risks and rewards of ownership have been transferred. 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

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

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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. In situations where equity instruments are issued to non-employees the fair value of services is determined as the value of the share-based payment.

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

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

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

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

Cash settled transactions

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

l) 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

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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 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:

	30 June 2021	30 June 2020
Trade receivables	773,311	629,657
Allowance for expected credit loss	-	-
Research and development incentive receivable	1,889,424	-
Goods and services tax receivable	382,933	-
Other receivables	611,178	-
	3,656,846	629,657

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 45 to 60-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 30 June 2021, eligible expenditure is expected to result in a rebate of $1.889 million (2020: $1.485 million).

4. BIOLOGICAL ASSETS

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

	30 June 2021	30 June 2020
Opening balance	13,857	142,953
Costs incurred	2,427,882	880,320
Acquired as part of business combination	1,019,828	-
Transfer to inventory	(3,009,386)	(1,042,929)
Unrealised changes in fair value	1,532,891	33,513
	1,985,072	13,857

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 34% complete (30 June 2020 - 5%) as to the next expected harvest date. The average number of days from the point of propagation to harvest is 98 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 $140,000 at 30 June 2021 (30 June 2020 - $6,702). 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 $175,000 at 30 June 2021 (30 June 2020 - $2,771). At harvest, the estimated fair value of a gram of biomass is $4.00.

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5. INVENTORY

The Group's inventory is comprised of:

	30 June 2021	30 June 2020
Supplies and consumables	**320,473**	171,702
Stock in transit	-	236,042
Work in progress	**5,817,760**	842,888
Finished goods	**1,115,633**	98,834
	7,253,866	1,349,466

6. PROPERTY, PLANT AND EQUIPMENT

The Group's plant and equipment comprised of:

	Land & Buildings	Leasehold improvements	Production equipment	Office equipment	Total
Cost					
As at 30 June 2019	-	223,853	429,473	82,458	735,784
Additions	-	6,312,915	654,430	46,466	7,013,811
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**
Accumulated depreciation					
As at 30 June 2019	-	(46,709)	(23,090)	(56,368)	(126,167)
Depreciation	-	(29,469)	(72,844)	(33,046)	(135,359)
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)**
Carrying value					
30 June 2020	-	6,460,590	987,969	39,510	7,488,069
30 June 2021	**37,034,042**	**6,913,426**	**9,796,727**	**321,074**	**54,065,269**

7. RIGHT-OF-USE ASSETS

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

	Right of use assets
As at 30 June 2019	91,797
Additions	1,786,028
Depreciation	(222,677)
As at 30 June 2020	1,655,148
Additions	18,740
Variations	(151,592)
Depreciation	(176,586)
As at 30 June 2021	**1,345,710**

The Group's lease liabilities are comprised of:

	30 June 2021	30 June 2020
Current lease liability	**204,644**	240,003
Non-current lease liability	**1,215,832**	1,445,113
	1,420,476	1,685,116

During the year, the Group leased both its production facility and its head office. Post year end, the land on which the production facility sits along with two adjacent properties were purchased for a total of $6 million, of which $4.2 million was paid in cash and $1.8 million in scrip. For further details refer note 26 Events after the reporting date. The head office lease is for a term of five years expiring 31 August 2024. During the year, the Company's head office lease rent was reduced as a result of COVID-19.

8. REFUNDABLE DEPOSITS

The Group's refundable deposits is comprised of:

	30 June 2021	30 June 2020
Refundable deposits	**334,085**	340,229
Deposit associated with facility acquisition	**500,000**	-
	834,085	340,229

In March 2021, the Company entered into a binding Heads of Agreement (**Agreement**) to acquire the freehold properties underlying its Western Australian cultivation and manufacturing facilities as well as two adjacent freehold properties. Under the terms of the Agreement, the Company paid the Vendors a deposit of $500,000. Post year end, the properties were acquired for $4.2 million in cash (inclusive of deposit) and $1.8 million in scrip.

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9. INTANGIBLE ASSETS

The Group's intangible assets comprised of:

	Patents & trademarks	Computer software	Pharmaceutical Quality System	Total
Cost				
As at 30 June 2019	122,627	65,037	-	187,664
Additions	-	32,613	452,032	484,645
Write-off asset	(10,109)	-	-	(10,109)
As at 30 June 2020	112,518	97,650	452,032	662,200
Additions	7,807	57,813	96,914	162,534
As at 30 June 2021	**120,325**	**155,463**	**548,946**	**824,734**
Accumulated amortisation				
As at 30 June 2019	(15,941)	(13,659)	-	(29,600)
Amortisation	(10,156)	(12,178)	-	(22,334)
Write-off of asset	10,109	-	-	10,109
As at 30 June 2020	(15,988)	(25,837)	-	(41,825)
Amortisation	(6,639)	(26,624)	(35,434)	(68,697)
As at 30 June 2021	**(22,627)**	**(52,461)**	**(35,434)**	**(110,522)**
Carrying value				
30 June 2020	96,530	71,813	452,032	620,375
30 June 2021	**97,698**	**103,002**	**513,512**	**714,212**

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	30 June 2021	30 June 2020
Trade and other payables	**1,042,427**	1,472,924
Accrued liabilities	**2,443,629**	376,490
Goods and services tax payable	-	108,196
Accrued salaries to be settled through issuance of shares	-	129,383
	3,486,056	2,086,993

11. LOAN NOTE

The Group is a party to a Loan Note in relation to the Little Green Pharma Denmark ApS acquisition. The Loan Note has an effective interest rate of 5% and an amortised cost of $11,365,891 and is due for repayment on 30 June 2022.

12. EMPLOYEE BENEFIT OBLIGATIONS

The Group's employee benefit obligation is comprised of:

	30 June 2021	30 June 2020
Annual leave	**620,997**	223,249
Employee Benefits	**209,820**	112,647
	830,817	335,896

13. SHARE CAPITAL

At 30 June 2021 a total of 232,607,948 ordinary shares had been issued (30 June 2020 - 133,501,069).

Non cash financing activities for the twelve months ended 30 June 2021 included issuing 2,723,293 ordinary shares in lieu of cash for services at a weighted average issue price of $0.39 per share. Of this, 1,475,316 shares ($561,218) were issued to directors and employees in lieu of their salaries based on the fortnightly VWAP over the period for which salaries were foregone. The weighted average issue price was $0.38 per share. The remaining 1,247,977 shares were issued to service providers at a weighted average issue price of $0.40.

14. RESEARCH DEVELOPMENT INCENTIVE

At year end, the Company had accrued a receivable amount of $1,889,424 (30 June 2020: $Nil) in relation to the expected rebate for expenditure incurred during the financial year ended 30 June 2021. During the year, the Company also received a $1,490,103 rebate associated with its research and development expenditure in the 30 June 2020 period.

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15. 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:

	A$
Cash and cash equivalents	605,337
Biological assets	1,019,828
Inventory	1,479,331
Prepaid expenses	659,070
Property, plant and equipment	46,076,410
Accounts payable and accrued liabilities	(1,792,195)
Loan note to Canopy Growth Corporation	(11,365,891)
Employee benefits	(523,881)
Deferred tax assets/(liabilities)	-
Contingent liabilities	-
Fair value of assets and liabilities acquired	36,158,009
Gain on bargain purchase	(24,979,733)
Consideration	**11,178,276**
Consideration net of cash and adjustments	**10,572,939**

As the acquisition was undertaken so close to the reporting date and the fair value of the assets and liabilities were determined based on the unaudited management accounts of the acquiree, the above fair values are provisional while the Company continues to review for other assets and liabilities, in particular any unrecorded or contingent liabilities, any intangible assets and any tax assets or liabilities. The final fair values will be determined within 12 months of the acquisition.

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.

The fair value of the financial assets includes receivables of trade debtors with a fair value of $404,124 and a gross contractual value of $404,124. The best estimate at acquisition date is that the contractual cash flows will be collected.

Acquisition-related costs (included in general and administrative expenses) amount to $310,227.

LGP Denmark ApS contributed no revenue and a loss of $13,200 to the Group's net result for the period between the date of acquisition and the reporting date.

16. INCOME TAXES

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

	30 June 2021	30 June 2020
Profit/(loss) for the year before income taxes	**24,603,555**	(9,315,435)
Statutory tax rate	**26.0%**	27.5%
	6,396,924	(2,561,745)
Add/(deduct)		
- Share based payments	**734,004**	370,922
- Research and development expeniture net of offset	**250,634**	(165,071)
- Gain on bargain purchase	**(6,494,731)**	-
- Foreign losses not recognised	**168,780**	-
- Other	**(10,923)**	(6,534)
- Movement in deferred tax not recognised/(recognised)	**(1,044,688)**	2,362,428
Income tax (benefit)/expense	-	-

Total tax losses for which no deferred tax assets has been recognised is $3,886,266 (30 June 2020: $5,291,524) Utilisation of carry forward tax losses is dependent upon the satisfaction of the requirements of the Income Tax Assessment Act 1936 and 1997 within Australia (continuity of ownership and same business test with no expiry if tests are achieved) and the relevant loss recoupment provisions in subsidiaries in foreign jurisdictions. The Company has no 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.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30 June 2021	30 June 2020
Deferred tax (asset)/liability		
- Biological assets	**(398,552)**	(9,159)
- Prepayments	**(60,563)**	(9,502)
- Plant and equipment	**(69,132)**	(137,299)
- Net lease liability	**19,439**	8,241
- Accounts payable and accrued liabilities	**179,594**	-
- Unrealised FX loss	**2,234**	-
- Undeducted capital expenditure	**265,249**	-
- Employee entitlements	**61,731**	92,371
Net deferred tax asset	-	(55,348)
Benefit of tax losses not recognised	-	55,348
Net deferred tax (asset)/liability recognised	-	-

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17. 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 2019	10,850,000	0.30
Granted	4,073,536	0.45
Forfeited	-	-
Exercised	-	-
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**

All options outstanding had vested at 30 June 2021.

Performance rights

	Number of rights	Weighted average exercise price
Balance at 30 June 2019	7,233,335	0.13
Granted	6,000,000	0.40
Forfeited	-	-
Exercised	(6,233,335)	0.13
Balance at 30 June 2020	7,000,000	0.36
Granted	-	-
Forfeited	(2,500,000)	0.29
Exercised	(1,500,000)	0.42
Balance at 30 June 2021	**3,000,000**	**$0.39**

At 30 June 2021, there were three classes of 1,000,000 performance rights each remaining, all of which have had their share price hurdles achieved ($0.55, $0.65 and $0.75) and will vest equally on the first and second anniversary of those hurdles being achieved.

On 16 June 2021, the Company announced that the Board had resolved to issue 4,500,000 performance rights, subject to shareholder approval at the Extraordinary General Meeting on 19 July 2021. 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.

Retention rights

	Number of rights	Weighted average exercise price
Balance at 30 June 2019	-	-
Granted	-	-
Forfeited	-	-
Exercised	-	-
Balance at 30 June 2020	-	-
Granted	1,200,000	-
Forfeited	-	-
Exercised	-	-
Balance at 30 June 2021	**1,200,000**	-

During the year ended 30 June 2021, 1,200,000 performance rights were issued to employees and Non-executive Directors with vesting occurring on the third anniversary of the IPO date (February 2023). Shareholder approval was obtained and these rights were issued during the period. Each performance right has a nil exercise price and a fair value of $0.30.

On 16 June 2021, the Company announced that the Board had resolved to issue 105,000 retention rights to Non-executive Directors with vesting occurring on the fourth anniversary of the IPO date (February 2024), subject to approval at the Extraordinary General Meeting held on 19 July 2021. Each retention right has a nil exercise price and a fair value of $0.70.

Employee share incentive plan

The Group's Managing Director determines each employee's allocation of shares under the employee share incentive plan based on their performance for the period. For the period to 30 June 2021, 1,008,000 shares rights were issued with a nil exercise price and a fair value of $0.44. Post year end, a further 1,183,000 rights were agreed to be issued in relation to the financial year 30 June 2021 with 620,000 vesting immediately, 281,500 vesting on 30 June 2022 and 281,500 vesting on 30 June 2023. These have a nil exercise price and a fair value of $0.56 per share.

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18. FINANCIAL INSTRUMENTS

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

	30 June 2021 Fair value	30 June 2021 Carrying value	30 June 2020 Fair value	30 June 2020 Carrying value
Financial assets				
Amortised Cost				
Cash and cash equivalents	**40,269,169**	**40,269,169**	4,273,564	4,273,564
Accounts receivable	**3,656,846**	**3,656,846**	629,657	629,657
Refundable deposits	**834,085**	**834,085**	340,229	340,229
Financial liabilities				
Amortised Cost				
Accounts payable and accrued liabilities	**3,486,056**	**3,486,056**	2,086,993	2,086,993
Loan note	**11,365,891**	**11,365,891**	-	-

The carrying value of the cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate the fair value because of the short-term nature of these instruments. Refundable deposits also approximate their fair value as they either accrue interest or relate to the purchase of the production facility in Australia along with two adjacent properties. For further details refer note 26 Events after the reporting date.

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 $11,365,891 which is denominated in Canadian dollars.

Credit risk

Credit risk is the risk of an unexpected loss to the Group if a customer or third-party to a financial instrument fails to meet its contractual obligations. The Group's maximum exposure to credit risk as at 30 June 2021 is the carrying value of its financial assets. The Group's cash and refundable deposits are predominately held in large Australian financial institutions. With regard to receivables, the Group's exposure to credit risk is to a limited number of counterparties who are provided credit in the normal course of business. The Group has not experienced any historical losses on receivables and hence the estimated credit loss is immaterial.

Interest rate risk

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations associated with financial liabilities. The Group manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. All liabilities other than lease liabilities 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.

19. OPERATING SEGMENTS

The Group's Managing Director who is the chief operating decision maker has historically managed the business, made resource allocation decisions and assessed performance based on the operations as a whole and therefore the consolidated financial statements represented the single operating segment. The acquisition of the Denmark facility on 21 June 2021 has resulted in the company now operating in two segments, Australia and Europe. Materially all revenue was earned in the Australian segment during the year.

	Australia	Europe
Total assets	63,244,508	47,747,807
Total liabilities	(3,678,369)	(13,424,871)
Net assets	**59,566,139**	**34,322,936**

20. COMMITMENTS

	30 June 2021	30 June 2020
Leases recognised as a liability		
Maturity analysis for capitalised leases		
- Not later than 12 months	**282,656**	318,983
- Between 12 months and 5 years	**1,157,636**	1,031,996
- Greater than 5 years	**367,348**	-
	1,807,640	1,350,979

To the end of 30 June 2021, the Group leased its production facility and its head office in Australia. Post year end, the production facility and two adjacent properties were acquired (refer note 26 Events after the reporting date). This extinguished commitments totalling $1,384,618.

21. 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.

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22. PARENT ENTITY

	30 June 2021	30 June 2020
Total current assets	**47,638,974**	6,665,011
Total non-current assets	**26,894,922**	10,165,499
Total assets	**74,533,896**	16,830,510
Current Liabilities	**(2,462,537)**	1,695,863
Non current liabilities	**(1,215,832)**	1,429,449
Total liabilities	**(3,678,369)**	3,125,312
Share capital	**86,197,119**	29,944,260
Reserves	**1,857,348**	1,217,194
Accumulated deficit	**(17,198,939)**	(17,456,256)
Total shareholder's equity	**70,855,528**	13,705,198
Net profit/(loss) and comprehensive income	**257,317**	(9,038,255)

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.

23. RELATED PARTY TRANSACTIONS

	Salaries and Fees[1]	Short term Incentive[2]	Post employment	Share based payments	Other[3]	Total
As at 30 June 2021						
Directors						
Michael Lynch-Bell	130,878	-	-	34,083	-	164,961
Dr Neale Fong	75,763	-	3,069	17,042	-	95,874
Fleta Solomon	269,684	161,927	35,660	377,195	126,627	971,093
Angus Caithness	267,510	140,600	28,272	377,195	3,500	817,077
	743,836	**302,527**	**67,000**	**805,515**	**130,127**	**2,049,005**
As at 30 June 2020						
Directors						
Michael Lynch-Bell	64,225	-	-	98,173	-	162,398
Dr Neale Fong	31,966	-	3,037	48,833	-	83,836
Fleta Solomon	163,761	150,000	47,048	139,180	121,857	621,846
Angus Caithness	174,663	150,000	12,635	377,473	3,500	718,271
	434,615	300,000	62,720	663,659	125,357	1,586,351

1. Salaries and fees includes share rights issued in lieu of salary.
2. Short term incentives include the 31 December 2020 short term incentive which was paid during the year as well as the accrual for the 30 June 2021 half year for both Ms Fleta Solomon and Mr Angus Caithness.
3. Cost of living allowance for Ms Fleta Solomon in Switzerland; car parking for Mr Angus Caithness.

24. AUDITORS' REMUNERATION

The auditor of the Group is Deloitte Touche Tohmatsu.

	30 June 2021	30 June 2020
Amounts received or due and receivable by Deloitte for:		
Audit or review of financial reports		
- Group	**93,750**	75,000
	93,750	75,000

25. 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. In addition, from 1 April 2020 and 1 May 2020 respectively, executive and staff salaries were reduced by up to 20% through to March 2021. A total of $264,500 (30 June 2020: $170,000) in Jobkeeper and Cash Flow Boost payments were received from the Australian Federal Government as a result of COVID 19. These amounts were recognised in other income.

26. 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 acquisition of 16,000 m^2 of land underlying the Company's Western Australian production facilities as well as two adjoining properties for $6 million (with $4.2 million paid in cash and balance in scrip).

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DIRECTORS DECLARATION

The directors of the Company declare that:

1. The financial statements and notes for the period ended 30 June 2021 are in accordance with the Corporations Act 2001 and:
   a. comply with Australian Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (**IFRS**); and
   b. give a true and fair view of the financial position and performance of the Company;

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

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

Michael Lynch Bell
Chairman

Fleta Solomon
Managing Director

10 Shareholder Information

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SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 September 2021.

ORDINARY SHARE CAPITAL

235,941,749 fully paid ordinary shares are held by 10,405 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

TOP 20 SHAREHOLDERS (UNCONSOLIDATED) AS AT 16 SEPTEMBER 2021

NAME	UNITS	% UNITS
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED[1]	41,027,331	17.4%
ELIXXER LTD[2]	23,431,925	9.9%
MS FLETA JENNIFER SOLOMON	20,255,439	8.6%
UBS NOMINEES PTY LTD[3]	15,867,461	6.7%
BARBRIGHT AUSTRALIA PTY LTD <INTERQUARTZ SUPER A/C>	7,753,754	3.3%
BANQUO CONSULTING PTY LTD	5,500,000	2.3%
MS JENNY LORRAINE MCKAY <J & K MCKAY FAMILY A/C>	2,550,044	1.1%
BENONI PTY LTD <THE MKJ SUPER FUND A/C	2,300,000	1.0%
MUTUAL TRUST PTY LTD	1,598,499	0.7%
MR SEAN EDWARD REID & MS LOUISE JANE PILKINGTON	1,552,600	0.7%
MS MARY BERNADETTE DAVIS	1,300,000	0.6%
HEAVENLY STAR PTY LTD <HEAVENLY STAR S/FUND A/C>	1,250,000	0.5%
CITICORP NOMINEES PTY LIMITED	1,169,510	0.5%
JENSEN PTY LTD	1,152,715	0.5%
MR DAMIEN BOOTH	1,025,590	0.4%
INTERDALE PTY LTD <MAPLE SUPER FUND A/C>	1,009,889	0.4%
YASELLERAPH FINANCE PTY LTD <YASELLERAPH FINANCE A/C>	951,938	0.4%
MR ANGUS CAITHNESS	910,942	0.4%
MR EAN MALCOLM ALEXANDER	900,000	0.4%
FULL MOON HOLDINGS PTY LTD <THE KOSTERICH FAMILY A/C>	849,195	0.4%
TOTAL	132,356,877	56.10%

The number of shareholders, by size of holding are:

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 - 1,000	2,522	1,859,443	0.79
1,001 - 5,000	4,708	11,410,311	4.84
5,001 - 10,000	1,434	10,915,579	4.63
10,001 - 100,000	1,596	43,536,342	18.45
100,001 Over	145	168,220,074	71.30
Total	10,409	235,941,749	100.00

There are 992 holdings less than a marketable parcel.

SUBSTANTIAL SHAREHOLDERS AS AT 16 SEPTEMBER 2021

NAME	UNITS	% UNITS
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	41,027,331	17.39%
ELIXXER LTD	27,410,781	9.93%
MS FLETA JENNIFER SOLOMON	20,255,439	8.58%
UBS NOMINEES PTY LTD	15,867,461	6.73%

1. Hancock Prospecting Pty Ltd and associated parties hold 26,739,029 shares as advised to market on 6 July 2021.
2. Elixxer Ltd holds 27,410,781 shares as advised to market on 7 July 2021, such shares held by Elixxer Ltd and HSBC Custody Nominees (Australia) Limited.
3. TIGA Trading Pty Ltd and associated parties hold 16,200,795 shares as advised to market on 2 July 2021 with 15,867,461 shares held by UBS Nominees and the remainder by Jasforce Pty Ltd.

OPTION HOLDINGS

7,573,536 options are held by 2 individual option holders.

The Company has the following classes of options on issue as at 16 September 2021 as detailed below. Options do not carry any rights to vote.

CLASS		TERMS	No. OF OPTIONS
LGPOPT1	UNLISTED OPTIONS	Exercisable at $0.30 expiring on or before 28 February 2022	3,500,000
LGPOPT4	UNLISTED OPTIONS	Exercisable at $0.42 expiring on or before 31 July 2022	2,036,768
LGPOPT5	UNLISTED OPTIONS	Exercisable at $0.48 expiring on or before 31 July 2022	2,036,768
			7,573,536

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	2	7,573,536
	2	7,573,536

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

HOLDER	LGPOPT1	LGPOPT4	LGPOPT5
MR ANGUS CAITHNESS	3,500,000	-	-
CG NOMINEES (AUSTRALIA) PTY LTD	-	2,036,768	2,036,768

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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 ASX escrow:

CLASS	ESCROW TERM	UNITS
Fully paid ordinary shares	19 February 2022	55,034,703
Performance rights	19 February 2022	2,000,000
Unlisted options (LGPOPT1)	19 February 2022	3,500,000
Unlisted options (LGPOPT4)	19 February 2022	2,036,768
Unlisted options (LGPOPT5)	19 February 2022	2,036,768

The following securities are subject to voluntary escrow:

CLASS	ESCROW TERM	UNITS
Fully paid ordinary shares	31 December 2021	1,000,000
Fully paid ordinary shares	17 February 2022	2,713,801

SHARE RIGHTS AND PERFORMANCE RIGHTS

As at 16 September 2021 the Company has the following share rights and performance rights on issue which vest and are convertible (on a 1 to 1 basis) to fully paid ordinary shares upon satisfaction of the relevant Milestone, as follows:

SECURITY	NUMBER	EXPIRY	MILESTONE	VESTING CONDITION
Performance Rights (Class C)	1,000,000	4 February 2025	Company's 20-day share price volume weighted average price equals at least $0.55 before 4 February 2023. This Milestone was satisfied on 18 December 2020.	500,000 rights vest 12 months after satisfaction of Milestone 500,000 rights vest 24 months after satisfaction of Milestone Holder must be employee at date of vesting.
Performance Rights (Class D)	1,000,000	4 February 2025	Company's 20-day share price volume weighted average price equals at least $0.65 before 4 February 2023. This Milestone was satisfied on 3 February 2021.	500,000 rights vest 12 months after satisfaction of Milestone 500,000 rights vest 24 months after satisfaction of Milestone Holder must be employee at date of vesting
Performance Rights (Class E)	1,000,000	4 February 2025	Company's 20-day share price volume weighted average price equals at least $0.75 before 4 February 2023. This Milestone was satisfied on 10 February 2021.	500,000 rights vest 12 months after satisfaction of Milestone 500,000 rights vest 24 months after satisfaction of Milestone Holder must be employee at date of vesting.

SECURITY	NUMBER	EXPIRY	MILESTONE	VESTING CONDITION
Performance Rights (Class F)	1,500,000	17 August 2026	Company's 20-day share price volume weighted average price equals at least $0.95 before 17 August 2024.	500,000 rights vest on date of satisfaction of Milestone 500,000 rights vest 12 months after satisfaction of Milestone 500,000 rights vest 24 months after satisfaction of Milestone Holder must be employee at date of vesting.
Performance Rights (Class G)	1,500,000	17 August 2026	Company's 20-day share price volume weighted average price equals at least $1.10 before 17 August 2024.	500,000 rights vest on date of satisfaction of Milestone 500,000 rights vest 12 months after satisfaction of Milestone 500,000 rights vest 24 months after satisfaction of Milestone Holder must be employee at date of vesting.
Performance Rights (Class H)	1,500,000	17 August 2026	Company's 20-day share price volume weighted average price equals at least $1.25 before 17 August 2024.	500,000 rights vest on date of satisfaction of Milestone 500,000 rights vest 12 months after satisfaction of Milestone 500,000 rights vest 24 months after satisfaction of Milestone Holder must be employee at date of vesting.
Share Rights (Director Retention)	450,000	20 February 2025	Continued employment until date of vesting	Rights vest on 20 February 2023
Share Rights (Director Retention)	105,000	23 August 2026	Continued employment until date of vesting	Rights vest on 23 August 2024
Share Rights (Management Retention)	750,000	20 February 2025	Continued employment until date of vesting	Rights vest on 20 February 2023
Share Rights (Director Share Rights in lieu of salary)	75,458	17 December 2022	NA	Rights have vested
Share Rights (Employee Share Rights in lieu of salary)	194,000	17 December 2022	NA	Rights have vested
Share Rights (Employee – ESIP Tranche 1)	281,500	NA	Continued employment until date of vesting	Rights vest on 1 July 2022 All vested share rights automatically convert to fully paid ordinary shares on 14 July 2022
Share Rights (Employee – ESIP Tranche 2)	280,500	NA	Continued employment until date of vesting	Rights vest on 1 July 2023 All vested rights automatically convert to fully paid ordinary shares on 14 July 2023.

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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 25 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 5 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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This is an unregistered medicine manufactured to medical-grade standards.