28 February 2020

Results for announcement to the market

APPENDIX 4D

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

Half-year Financial Report for the period ended 31 December 2019

This statement includes the consolidated results of Little Green Pharma Ltd for the half year ended 31 December 2019 compared with the half year ended 31 December 2018.

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

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

	Movement	**2019 %**		**$**
Revenue from ordinary activities	**increase**	**2,560%**	**to**	**716,046**
Loss from ordinary activities	increase	135%	**to**	(5,505,024)

Revenue from ordinary activities of $716,046 consists primarily of revenue from the sale of medicinal oil products. In addition, the Company received research and development incentive grants of $600,258. The net loss from ordinary activities increased from $2,345,747 in the prior period to a net loss of $5,505,024.

Dividends:

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

Net Tangible Asset Backing:

	December 2019	December 2018
Net tangible assets per ordinary security	($0.085)	($0.021)

Change in ownership of controlled entities:

In September 2019, the Company established a wholly owned subsidiary in Switzerland.

Independent Auditor's Review:

The Half-year Financial Report contains an Independent Auditor's Review Report. This report is not subject to any modification or emphasis of matter.

This statement was approved by the Board of Directors.

Craig Basson
Company Secretary

ASX Announcement
28 February 2020

RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

STRONG REVENUE GROWTH, SUCCESSFUL IPO, AND CULTIVATION FACILITY EXPANSION ON TIME AND ON BUDGET

Little Green Pharma Ltd (ASX: LGP) ("LGP" or the "Company") is pleased to present its results for the half year ended 31 December 2019 ("**H1FY2020**").

H1FY2020 Highlights:

- **Strong revenue growth to $716,000 for H1FY2020 up 188% compared to FY2019**
  LGP sold an average of 950 bottles of medicinal cannabis oil per month during the December 2019 quarter, and has sold more than 7,600 bottles since the Company commenced sales. The Company recorded a revenue monthly compound growth rate exceeding 20% over the last 12 months

- **Strong gross margin of 54% (70% with biological asset adjustment), reflecting the value of LGP's vertical operating model**
  LGP's vertically integrated operating model controls all aspects of medicinal cannabis production and positions LGP to capture margin from cultivation and GMP manufacturing activity

- **More than 2,360 patients had been dispensed LGP products by the end of January 2020**
  LGP recorded a monthly compound growth rate of 30% over the last 12 months for patient numbers with over 170 healthcare professionals now prescribing LGP products

- **Expansion of LGP's cultivation facility is on time and budget to complete construction in Q1CY2020 with first planting expected to take place in Q2CY2020**
  Subject to regulatory approval, LGP expects first planting at the expanded cultivation facility to take place in Q2CY2020. The expanded cultivation facility will have the capacity to produce sufficient cannabis flower to manufacture more than 110,000 bottles of medicinal cannabis oil per annum

Highlights subsequent to 31 December 2019:

- **Successful IPO on the ASX, raising $10 million**
  LGP listed on the ASX with a market capitalisation of $60 million. Funds raised will be used to accelerate the Company's growth strategy

- **Binding purchase agreements signed for the sale and export of LGP products to UK-based Astral Health and Germany-based DEMECAN**
  As previously announced, these purchase agreements are for the sale and export of medicinal cannabis products to the UK and Germany

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LGP Managing Director Fleta Solomon said:

"The last six months has been transformational for Little Green Pharma. We have delivered strong product sales and revenue growth, witnessed a significant increase in patients using LGP's medicinal cannabis products, and completed a listing on the ASX.

"Following the IPO, LGP has the capital in place to accelerate our growth strategy. We are now focussed on finalising commercial export and sale arrangements with our partners and customers in Europe, and completing the construction of our cultivation facility expansion, which is on time and on budget to complete in Q1CY2020.

"We expect 2020 to be an eventful and exciting year for LGP and we look forward to updating our shareholders as we deliver on our growth strategy."

Results for the half year ended 31 December 2019

Financial Performance

Income Statement

- 4,850 bottles were sold during the H1FY2020, generating revenue of $716,000, which represents an average monthly compound growth rate of 20% over the last 12 months
- LGP achieved gross margins of 54% (70% with biological asset adjustment), demonstrating the value of LGP's vertically integrated operating model and recent strong harvest, which reduced per unit flower cost
- Financial expenses of $374,000 predominately relate to interest costs on issued convertible notes ("**Notes**"), which were accrued and converted into ordinary shares on IPO
- The non-cash fair valuation expense of $1.6 million arises on a tranche of Convertible Notes that converted into ordinary shares on IPO on 20 February 2020. Under Australian Accounting Standards, the difference between the average issue price on the tranche of Convertible Notes at 30.5 cents and their likely conversion into ordinary shares on IPO at 45 cents is recognised as a fair value change in the income statement
- LGP recorded a loss from operations of $4.1 million. Included within the General and administrative expenses were non cash share based payments of $536,000.

Balance Sheet and Cashflow

- LGP ended H1FY2020 with a cash balance of $2.2 million
- Convertible notes were issued in August 2019 to raise $9 million to fund working capital and cultivation facility expansion and converted into ordinary shares on IPO
- Favourable working capital movement was largely the result of an increase in accounts payable arising from accrued costs of the cultivation facility
- Plant and equipment costs increased due to the expansion of the cultivation facility
- Subsequent to 31 December 2019, LGP successfully completed an IPO to raise $10 million

Projects

- The cultivation facility expansion is on time and on budget to complete in Q1CY2020. First planting at the expanded cultivation facility is expected to take place in Q2CY2020, subject to the granting of necessary regulatory approvals
- The development of LGP's own manufacturing facility has now commenced

ENDS

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For more information about Little Green Pharma go to littlegreenpharma.com

Little Green Pharma Ltd

Financial Report

Half year ended 31 December 2019

	Note	**31 December 2019**	30 June 2019
Assets			
Current assets			
Cash and cash equivalents		**2,236,748**	510,286
Biological assets	3	**146,250**	142,953
Inventory	3	**531,320**	370,787
Accounts receivable		**309,770**	88,280
Prepaid expenses		**275,320**	5,455
Total current assets		**3,499,408**	1,117,761
Plant and equipment		**4,720,061**	609,617
Right-of-use assets	4	**1,809,427**	-
Intangible assets		**161,314**	158,064
Refundable deposits		**230,795**	70,697
Total non-current assets		**6,921,597**	838,378
Total assets		**10,421,005**	1,956,139
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**3,007,258**	1,726,722
Lease liability		**263,205**	-
Convertible notes	5	**11,610,791**	-
Employee benefit obligations		**118,282**	186,840
Total current liabilities		**14,999,536**	1,913,562
Lease liability		**1,517,663**	-
Convertible notes	5	**-**	1,330,645
Total non-current liabilities		**1,517,663**	1,330,645
Total liabilities		**16,517,199**	3,244,207
Net liabilities		**(6,096,194)**	(1,288,068)
Shareholders' equity			
Share capital	6	**7,846,403**	7,317,514
Reserves		**1,055,519**	887,511
Accumulated deficit		**(14,998,116)**	(9,493,093)
Total shareholders' equity		**(6,096,194)**	(1,288,068)

The accompanying notes form part of these consolidated financial statements.

LITTLE GREEN PHARMA LTD
CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

	Note	**Half-year ended 31 December 2019**	Half-year ended 31 December 2018	Full Year June 2019
Revenue				
Medicinal cannabis sales		**716,046**	26,915	248,500
Cost of sales				
Cost of goods sold		**(313,622)**	(13,458)	(200,231)
Gain on changes in fair value of biological assets		**109,387**	-	52,456
Gross margin		**511,811**	13,457	100,725
Expenses				
General and administrative		**(2,591,239)**	(1,651,648)	(3,546,195)
Sales and marketing		**(479,300)**	(113,648)	(646,458)
Licences, permits and compliance costs		**(701,176)**	(100,617)	(491,419)
Education		**(379,923)**	(165,205)	(475,262)
Research and development		**(420,931)**	(222,920)	(372,792)
Total expenses		**(4,572,569)**	(2,254,038)	(5,532,126)
Loss from operations		**(4,060,758)**	(2,240,581)	(5,431,401)
Interest income		**25,584**	2,038	4,164
Finance expense	7	**(374,081)**	(2,344)	(4,681)
Fair value change on convertible note	7	**(1,681,875)**	-	-
Research and development incentive grant		**600,258**	260,529	260,529
Fair value changes in financial assets		**-**	(365,577)	(346,326)
Net foreign exchange		**(14,152)**	188	(414)
Loss before tax		**(5,505,024)**	(2,345,747)	(5,518,129)
Tax expense	9	**-**	-	-
Loss after tax		**(5,505,024)**	(2,345,747)	(5,518,129)
Other Comprehensive income				
Items that may be reclassified subsequently to the income statement				
Exchange fluctuations on translation of foreign operations		**(6,199)**	-	(8,070)
Total comprehensive loss net of tax		**(5,511,223)**	(2,345,747)	(5,526,199)
Net loss per share				
Basic and diluted (cents)		**(7.71)**	(3.39)	(7.97)
Weighted average number of shares outstanding				
Basic and diluted		**71,367,259**	69,213,015	69,215,006

The accompanying notes form part of these consolidated financial statements.

LITTLE GREEN PHARMA LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital No. Shares	Share capital $	Equity reserve	Share based payment reserve	Translation reserve	Accumulated deficit	Total
Total Equity at 1 July 2018		68,852,666	7,221,577	-	392,565	-	(3,974,964)	3,639,178
Loss after tax		-	-	-	-	-	(2,345,747)	(2,345,747)
Total comprehensive income for the period		-	-	-	-	-	(2,345,747)	(2,345,747)
Share based payments	8	726,670	82,724	-	326,253	-	-	408,977
Total equity at 31 December 2018		69,579,336	7,304,301	-	718,818	-	(6,320,711)	1,702,408
Total Equity at 1 July 2019		69,579,336	7,317,514	-	895,581	(8,070)	(9,493,093)	(1,288,068)
Loss after tax		-	-	-	-	-	(5,505,024)	(5,505,024)
Translation reserve		-	-	-	-	6,199	-	6,199
Total comprehensive income for the period		-	-	-	-	6,199	(5,505,024)	(5,498,825)
Share based payments	8	4,244,445	-	-	536,385	-	-	536,385
Transfer on vesting of share based payments		-	528,889	-	(528,889)	-	-	-
Embedded derivative on convertible note		-	-	154,313	-	-	-	154,313
Total equity at 31 December 2019		73,823,781	7,846,403	154,313	903,077	(1,871)	(14,998,117)	(6,096,194)

The accompanying notes form part of these consolidated financial statements.

	Note	Half-year ended 31 December 2019	31 December 2018
Operating activities			
Net loss before tax		**(5,505,024)**	(2,345,747)
Items not involving cash			
Changes in fair value of biological assets		**(109,387)**	-
Depreciation and amortisation		**165,275**	34,708
Changes in fair value of financial assets		**-**	365,577
Share based payments		**536,385**	464,386
Interest expenses	7	**30,369**	-
Interest on convertible notes at amortised cost	7	**277,396**	
Fair value changes on convertible note	7	**1,681,875**	-
Fair value foreign exchange impacts on extinguishment of financial instruments		**3,227**	-
Changes in non-cash operating working capital			
Inventory and biological assets		**(54,443)**	(42,731)
Accounts receivable		**(221,490)**	(28,012)
Prepaid expenses		**(269,865)**	(13,957)
Accounts payable and accrued liabilities		**11,720**	120,536
Employee benefits obligations		**(68,558)**	57,787
Net cash flows from operating activities		**(3,522,519)**	(1,387,453)
Investing activities			
Purchase of plant and equipment		**(2,939,682)**	(461,760)
Purchase of intangible assets		**(8,410)**	(41,082)
Proceeds from sale of financial assets		**-**	1,013,611
Refundable deposits		**(160,098)**	-
Net cash flows from investing activities		**(3,108,190)**	510,769
Financing activities			
Convertible note issuance	5	**8,475,188**	-
Payments for lease liabilities		**(118,771)**	-
Net cash flows from financing activities		**8,356,417**	-
Net change in cash and cash equivalents		**1,725,707**	(876,684)
Cash and cash equivalents, beginning of period		**510,286**	1,474,010
Effect of changes in foreign exchange		**754**	-
Cash and cash equivalents, end of period		**2,236,748**	597,326

The accompanying notes form part of these consolidated financial statements.

1 Basis of preparation

The half year financial statements cover Little Green Pharma Ltd as a Group consisting of Little Green Pharma Ltd ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ('Group'). Little Green Pharma Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is in Perth, Western Australia.

a) *Statement of Compliance*

The half year financial statements is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The Company is a for-profit entity for the purpose of preparing the financial statements which were authorised for issue by the Board of Directors on 28 February 2020.

b) *Basis of measurement*

The half year financial statements have been prepared on the basis of historical cost, except for the revaluation of financial instruments and biological assets, which are measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

c) *Going Concern*

These half year 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. As at 31 December 2019, the Group had not yet achieved profitable operations incurring a net loss of $5.5 million and experienced net cash outflows from operations of $3.5 million for the half-year ended 31 December 2019.

The Group on 20 February 2020, completed its IPO raising $10 million and listed its shares on the Australian Stock Exchange. These funds will allow the Company to fund its growth strategy and continue as a going concern. This IPO also resulted in the conversion of all convertible notes on issue. The total expenses associated with the IPO are estimated to be $1 million.

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

d) *Comparatives*

The comparatives within the financial statements are prepared for half-year 31 December 2018, except for the statement of consolidated financial position which have been prepared for the period ended 30 June 2019.

e) *Functional and presentation currency*

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

f) 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 ("CODM").

2 Impact of new accounting standards

AASB 16 Leases

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

Transition impact

The date of initial application of AASB 16 for the Group is 1 July 2019.

The Group has applied AASB 16 using the modified-B approach. The details of the changes in accounting policies are disclosed below. Additionally the disclosure, recognition and measurement requirements in AASB 16 have not been applied to comparative information.

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

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

The incremental borrowing rate applied was 4.87%.

The impact of the transition is summarised below:

	$
Right-of-use assets	91,797
Lease liabilities	(91,797)
Retained earnings	-
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Group's financial statements.	(80,000)
Effect of discounting the above amount	1,921
Present value of the lease payments due in period covered by extension options that are included in the lease term and not previously included in operating lease commitments.	(13,718)
Lease liability recognised at 1 July 2019	**(91,797)**

2 Impact of new accounting standards continued

Accounting Policy applied from 1 July 2019

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

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- The amount expected to be payable by the lessee under residual value guarantees; and
- The exercise of extension options.

The lease liability is presented as a separate line in the consolidated statement of financial position.

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

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

The right-of-use assets are presented as a separate line in the consolidated statement

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Plant and Equipment' policy (as outlined in the financial report for the annual reporting period).

3 Biological assets and inventory

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

	31 December 2019	30 June 2019
Biological assets at fair value	**146,250**	142,953
Work in progress at cost	**426,431**	343,769
Finished goods at cost	**84,854**	18,106
Supplies & Consumables at cost	**20,035**	8,912
	677,570	513,740

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/or expected sales;
- percentage of costs incurred to date compared to the total costs to be incurred (to estimate the fair value of an in-process plant) – represents estimated costs to bring a gram of cannabis from propagation to harvest; and
- stage of plant growth – represents the weighted average age of the plant out of the average growing cycle as at period end date.

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 $36,660 at 31 December 2019 (30 June 2019: $28,590). A 20% 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 $39,480 at 31 December 2019 (30 June 2019: $35,189).

As at 31 December 2019, the biological assets were approximately 95% complete (30 June 2019: 50%) as to the next expected harvest date. The average number of days from the point of propagation to harvest is 101 days.

4 Right-of-use assets

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

	31 December 2019	30 June 2019
Opening cost	**-**	-
Additions	**1,909,698**	-
Accumulated Depreciation	**(100,272)**	-
Carrying amount	**1,809,427**	-

The Group leases assets consisting of buildings and office space. The average lease term of right to use assets is 10 years, with available lease extension options.

The Group entered into new leases for buildings and office space during the reporting period. This resulted in the recognition of right-of-use assets of $1.8 million in 2019. No right-of-use assets were recognised at 30 June 2019 under the AASB 16 modified approach.

4 Right-of-use assets continued

	Half-year ended	
	31 December 2019	31 December 2018
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	**100,272**	-
Interest expense on lease liabilities	**12,292**	-

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's finance function.

5 Convertible Notes

The movement associated with the Group's convertible notes is as follows:

	31 December 2019	30 June 2019
Opening balance	**1,330,645**	-
Euro Bonds at amortised cost	**-**	1,320,000
Cancellation of Euro Bonds	**(1,320,000)**	-
Tranche 1 - Notes issued net of equity	**5,020,687**	-
Tranche 2 - Notes issued	**5,175,000**	-
Capitalised Note issuing costs	**(524,812)**	
Fair value loss on embedded derivative conversion feature	**1,681,875**	-
Accrued interest expense on Notes at amortised cost	**258,041**	-
Translation reserve	**(10,645)**	10,645
Closing balance	**11,610,791**	1,330,645

The group has issued various Bonds and Notes as part of its pre-IPO funding strategy.

Convertible Note Issue

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

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

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

The cost of issuing the convertible Notes amounted to $524,812 which was settled in cash and share options. For information on the share options issued refer to note 8.

Repurchase of Bonds and Issuance of Convertible Notes

During the period, the convertible bonds (the "Bonds") of Euro 0.825 million previously issued by the Company's subsidiary, Little Green Pharma AG, on 12 February 2019 were repurchased by the Company. The consideration for the repurchase of the Bonds comprised new convertible Notes with a face value of $1,350,000 which were issued on the same terms and conditions as the Notes as set out above.

5 Convertible Notes continued

Accounting Adopted

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

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

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

	$
Convertible Notes at fair value	10,195,687
Equity portion of the Convertible Notes recognised (Tranche 1)	154,313
Embedded derivative measured at fair value at inception (Tranche 2)	-
Issue costs offset against the value of the Notes	(524,812)

At 31 December 2019, the embedded derivative liability was valued using the Notes conversion formula and other probability assumptions (which is a Level 3 fair value method - refer note 10), resulting in a fair value liability of $1.6 million at 31 December 2019 and this amount has been recognised in the profit or loss as a fair value loss. Interest expense on the debt components of $258,041 has been charged to the profit or loss for the period ended 31 December 2019.

As disclosed in Note 12, on 20 February 2020, the Company successfully completed its IPO on the Australian Stock Exchange, and therefore these notes, and associated accrued interest to that date, were mandatorily converted to equity at that date.

6 Share capital

At 31 December 2019 a total of 73,823,781 ordinary shares had been issued (30 June 2019: 69,579,336).

Non cash financing activities for the half year ended 31 December 2019 included issuing 4,244,445 ordinary shares being 244,445 in lieu of cash to employees at a weighted average issue price of $0.20 per share and 4,000,000 as share based payments to the Executive Director at $0.12 per share as part of performance right milestones being achieved.

7 Financial expenses

The Group's finance expenses comprises:

	31 December 2019	31 December 2018
Interest expense using the effective interest rate method:		
Interest on lease liabilities	**(30,369)**	-
Interest expenses	**(66,316)**	(2,344)
Interest on Convertible Notes at amortised cost	**(277,396)**	-
	(374,081)	(2,344)
Other gains and losses:		
Fair value change on Convertible Notes through profit or loss	**(1,681,875)**	-
	(2,055,956)	(2,344)

8 Share-based payments

Options

The Board of Directors has the discretion to determine to whom options will be granted, the number and exercise price of such options and the terms and time frames in which the options will vest and be exercisable.

	Number of options	Weighted average exercise price
Balance at 30 June 2018	10,850,000	0.30
Granted	-	-
Forfeited or exercised	-	-
Balance at 30 June 2019	10,850,000	0.30
Granted	**4,073,536**	**0.45**
Forfeited or exercised	**-**	**-**
Balance at 31 December 2019	**14,923,536**	**0.34**

On the 5 August 2019, the Company issued 4,073,536 Options to advisors as part-consideration for broker services to raise $9 million in Convertible Notes. These Options were issued in two tranches with the following terms:

- Tranche A

Number:	2,036,768
Exercise price:	$ 0.42
Term:	3 years
Expiry date:	31 July 2022

- Tranche B

Number:	2,036,768
Exercise price:	$ 0.48
Term:	3 years
Expiry date:	31 July 2022

The advisors were paid in both cash and options with the cash component representing the fair value of services received. Accordingly, the options have been ascribed nil value.

The advisor options vested on issue and all other options vest on a time basis unless there is a change of control or IPO in which case they vest immediately.

Performance rights

	Number of shares	Weighted average share price
Balance at 30 June 2018	6,500,000	0.12
Granted	733,335	0.20
Forfeited or Exercised	-	-
Balance at 30 June 2019	7,233,335	0.13
Granted	**7,125,000**	**0.30**
Forfeited	**-**	**-**
Exercised	**(4,244,445)**	**0.12**
Balance at 31 December 2019	**10,113,890**	**0.27**

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

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

8 Share-based payments continued

Performance rights if achieved also have a time served requirement and vest over the 3 year contract period unless there is an IPO or change of control in which case they vest immediately.

As part of the IPO process on 22 October 2019, the Board approved the issue of 4,000,000 shares on the conversion of 4,000,000 performance rights where the milestone had been achieved. An expense of $21,767 was recognised at 31 December 2019 in relation to these performance rights (30 June 2019: $188,705).

In the year ended 30 June 2019, employees were issued 733,335 performance rights. These vest between issue date and 1 July 2021 unless there is an IPO in which case they vest immediately. An expense of $43,444 was recognised at 31 December 2019 in relation to these performance rights.

On 11 December 2019, the Board resolved to issue a total of 6,000,000 performance rights in three tranches to senior management. Each performance right entitles the holder to acquire one fully paid share for nil consideration, subject to certain vesting conditions being met. As at 31 December 2019, the Company fair valued the performance rights from the grant date and recognised a share based payment expense of $47,173.

When a vesting hurdle is satisfied, and if the Executive(s) are still employed by the Company, then the Executive(s) will receive:

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

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

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

Assumptions	Tranche 1	Tranche 2	Tranche 3
Grant date	11-Dec-19	11-Dec-19	11-Dec-19
Spot price	0.45	0.45	0.45
Exercise price	Nil	Nil	Nil
Vesting hurdle	$0.55	$0.65	$0.75
Performance period (years)	3	3	3
Expected future volatility	70%	70%	70%
Risk free rate	0.73%	0.73%	0.73%
Dividend yield	0%	0%	0%
Expiry date	24-Oct-24	24-Oct-24	24-Oct-24

During the period, 1,125,000 performance rights were issued by the Company to employees and certain Directors with vesting occurring on the third anniversary of the IPO date.

9 Income taxes

The Group has recorded a net loss for accounting and income tax purposes, with no current income tax expense or deferred tax asset recorded as it is not yet probable that they will be recovered.

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

	31 December 2019	31 December 2018
Loss for the period before income taxes	**(5,505,024)**	(2,345,747)
Statutory tax rate	**27.5%**	27.5%
	(1,513,882)	(645,080)
Add		
Non-deductible legal fees	**124,605**	14,305
Impairment of financial asset	**-**	365,577
Deferred tax asset not recognised	**(1,389,277)**	(265,199)

Total tax losses for which no deferred tax assets have been recognised is $3,473,423. 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 and the relevant loss recoupment provisions in subsidiaries in foreign jurisdictions.

10 Financial instruments

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

	Level	**31 December 2019**		30 June 2019	
		Fair value	**Carrying value**	Fair value	Carrying value
Financial assets					
Amortised Cost					
Cash and cash equivalents		**2,236,748**	**2,236,748**	510,286	510,286
Accounts receivable		**309,770**	**309,770**	88,280	88,280
Refundable deposits		**230,795**	**230,795**	70,697	70,697
Financial liabilities					
Amortised Cost					
Accounts payable and accrued liabilities		**3,007,258**	**3,007,258**	1,726,722	1,726,722
Fair value through the profit or loss					
Convertible notes	3	**11,610,791**	**11,610,791**	1,330,645	1,330,645

The carrying value of financial assets and financial liabilities at amortised cost approximates their fair values because of the short term nature of these instruments.

Financial liabilities recorded at fair value through profit or loss have been valued at their likely conversion into ordinary shares on the Company achieving an IPO.

All financial assets and financial liabilities, other than derivatives, are initially recognised at their fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortised cost. The carrying amount of financial assets and liabilities measured at fair value is principally calculated based on inputs other than quoted prices that are observable for these financial assets or liabilities. Where no price information is available from a quoted market source, fair value is estimated based on the Group's views and modelling and other risks implicit in such estimates.

10 Financial instruments continued

The inputs used in fair value calculations are determined by management. Movements in the fair value of financial assets and liabilities may be recognised through the profit or loss or in other comprehensive income.

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

- Level 1 – Valuation method based on quoted prices (unadjusted) in active markets for identical financial assets and liabilities.
- Level 2 – Valuation method based on inputs other than quoted prices included in Level 1 that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices).
- Level 3 – Valuation method based on using inputs not observable in the market using appropriate valuation models, including discounted cash flow modelling.

11 Operating segments

The Group's Managing Director, who is the Group's CODM, manages the business, makes resource allocation decisions and assesses performance based on the operations as a whole and therefore the consolidated financial statements represent the single operating segment.

12 Events occurring after reporting date

On 20 February 2020, Little Green Pharma Ltd successfully listed on the Australian Stock Exchange under the ASX listing code: LGP, raising gross proceeds of $10 million. The total expenses associated with the IPO are estimated to be $1 million.

On IPO, all convertible notes on issue at 31 December 2019, mandatorily converted into ordinary shares in the company.

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

The directors present the Consolidated Financial Report for the half year ended 31 December 2019 and the auditor's review report thereon.

Review of Operations

A review of the operations of the consolidated entity during the period and of the results of those operations is contained on pages 1 to 3.

Principal Risks and Uncertainties

Due to the scope of the Group's operations and the industry in which it is engaged, there are a number of risk factors and uncertainties which could have an effect on the Group's results and operations over the next six months. The following information outlines the most significant strategic, external and operational risks identified.

Further information on these risks are described on pages 92 to 104 of the Group's Prospectus dated 23 December 2019 (a copy of which is available on the Group's website at LittleGreenPharma.com) and are summarised below. The list is not exhaustive, nor listed in any particular order:

- Maintaining and expanding medicinal cannabis licenses and regulatory risk
- Reliance on current and proposed distribution agreements to generate revenue and implement growth strategy
- Delays to obtaining licenses and permits to cultivate and manufacture for expansion project
- Sole reliance on business partner for the manufacture of products offered to the market
- Changes in laws and regulations for growing cannabis could negatively impact the Group's business, including legalisation of recreational or personal medical use
- Reliance and retention of key personnel and expertise
- Increased market competition from other producers and competitors
- Product liability and uninsured risks from a breach of pharmaceutical quality requirements
- Unexpected crop failure from pests and other agricultural risks
- Expansion and scaling of the business is dependent on a number of factors, many of which are beyond the company's control. If demand for products does not increase, cash flow will deteriorate and the Group will be loss making and require additional funding

Board of Directors

The Directors of Little Green Pharma Ltd at any time during or since the end of the half year 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

Events subsequent to the balance date

On Thursday 20 February 2020, the Company completed its initial public offering of shares raising $10 million in cash and listed on the Australian Stock Exchange. As part of the IPO, all convertible notes on issue at period end converted based on their contractual rights into ordinary shares in the company.

Dividends

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

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* is set out on page 22 of this report.

Michael Lynch Bell
Independent Non Executive Chair

28 February 2020

The directors of the Company declare that:

1. the half year financial statements and notes for the period ended 31 December 2019 are in accordance with the Corporations Act 2001 and:

    a. comply with Australian Accounting Standards, which, as stated in basis of preparation Note 1 to the half year financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
    b. give a true and fair view of the financial position and performance of the Group;

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

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

Michael Lynch Bell
Independent Non Executive Chair

28 February 2020

Deloitte.

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

28 February 2020

Dear Directors

Auditor's Independence Declaration to Little Green Pharma Ltd

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

As lead audit partner for the review of the financial statements of Little Green Pharma Ltd for the half-year ended 31 of December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Skelton
Partner
Chartered Accountants

Deloitte.

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

We have reviewed the accompanying half-year financial report of Little Green Pharma Ltd, which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of loss and comprehensive loss, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Little Green Pharma Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Little Green Pharma Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Skelton
Partner
Chartered Accountants
Perth, 28 February 2020