

ASX Announcement
22 July 2020

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C - JUNE 2020

Grant of expanded cultivation permit Continued growth in domestic and international sales

Highlights

- 🌱 LGP granted Cultivation & Production Permit, expanded facility now fully ODC licenced and permitted
- 🌱 Sales revenue of over \$875,000 (unaudited), with over 6,050 bottles sold (a ~50% increase on previous quarter)
- 🌱 Continued increase in new patient prescriptions, with over 1,390 new patients prescribed during the Quarter and over 70 new prescribers
- 🌱 Strategically important shipment demonstrating UK supply pathway for potential future sales growth
- 🌱 Construction of onsite manufacturing facility nearing completion
- 🌱 Strong balance sheet with \$4.3 million cash

Little Green Pharma Ltd (ASX: LGP, “LGP” or the “Company”) is pleased to provide its quarterly activities report and Appendix 4C for the period ending 30 June 2020 (the “Quarter”).

Grant of Cultivation & Production Permit – a critical milestone

The Company was granted a Cultivation & Production Permit (“Permit”) for its expanded facility by the Office of Drug Control (“ODC”), meaning the expanded facility is now fully ODC licenced and permitted. This Permit represents a critical milestone for LGP, as it constitutes the final step enabling LGP to sell significant quantities of EU-recognised, GMP-manufactured medicinal cannabis products into the EU under its existing sales agreements with international distributors. In addition, it provides a platform in support of LGP’s continued efforts to drive substantial sales in Australia. Given the high barriers to entry into the EU medicinal cannabis market, the Permit – a significant step-change in LGP’s production capacity – represents achievement of a key milestone in LGP’s strategy to position itself as a major supplier into the higher-margin markets of Germany, the UK and other key jurisdictions in Europe.





Continued growth in Australian sales, new patient prescriptions, and prescribers

During the Quarter, the Company sold over 6,050 bottles of medicinal cannabis oil (a 50% increase on the previous quarter), generating revenue of more than \$875,000 (unaudited). Sales growth was consistently strong throughout the Quarter, with each successive month setting a new sales record for the Company and with ~2,200 units being sold in June.

1,390 new patients were prescribed the Company's medicinal cannabis products (increasing the total number of patients to over 4,560), and an additional 72 new healthcare professionals prescribed LGP's products, bringing the total number of prescribers to over 315.

These Australian sales, patient, and prescriber numbers are critical to the Company as they demonstrate market validity, generate immediate cashflow, and underpin development of the Company's supply pathways into the EU and UK.

First export to the United Kingdom

During the Quarter, LGP exported its first commercial quantity of medicinal cannabis oil to the UK, shipping 1,000+ units to LYPHE Group Limited ("LYPHE") under a consignment sales agreement. LYPHE will also report real-world anonymised data investigating efficacy, safety, quality of life, and patient reported outcomes back to LGP.

Fulfilment of CC Pharma order

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

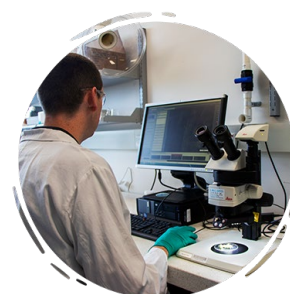
Establishing these international supply pathways is the Company's primary objective as these markets, particularly the European markets, represent a significant opportunity for LGP.

Manufacturing facility construction progress

Construction of LGP's manufacturing facility, which will also include capability to manufacture GMP flower products, is nearing completion. Validation is expected to commence in the coming weeks and commissioning towards the end of Q3 CY2020, after which the commissioned facility will be subject to GMP inspection and approval (LGP's ODC Manufacturing Permit has already been received). This added manufacturing capability will support LGP's growth strategy to deliver higher volumes at improved margins within the supply chain.

Award of WA State Government grant

During the Quarter, the Company was awarded a \$300,000 dollar-for-dollar grant from the WA State Government under its Value-Add Agribusiness Investment Attraction Fund. These funds will be received in stages over the next 12 months.



Quarterly Financial Highlights

The Company generated revenue of over \$875,000 (unaudited) from the sale of over 6,050 bottles during the Quarter with cash receipts of \$667,000. With this, LGP ended the Quarter with a strong cash position of \$4.3 million.

Net operating cash outflows for the Quarter of \$753,000 have reduced significantly compared to the previous March 2020 quarter (net operating cash outflows of \$2.2 million), and were comprised of:

- ✔ R&D activities focussed on leading the market through new delivery systems as well as developing products to meet market demand;
- ✔ inventory build-up and other operating costs;
- ✔ sales and marketing activities focussed on opening sales channels in Europe, including in Germany, the United Kingdom and France; and the education of healthcare professionals in Australia; and
- ✔ staff, administration and corporate costs.

The Company expects to maintain a strong cash position through the September quarter driven by:

- ✔ increasing domestic sales;
- ✔ UK consignment sales;
- ✔ sales revenue from the expected fulfilment of the CC Pharma order;
- ✔ receipt of an annual R&D rebate in excess of previous years;
- ✔ receipt of funds from the WA State Government grant; and
- ✔ the continuing benefit of cash preservation measures implemented during the Quarter.

During the Quarter, employees (from 1 May 2020) and senior management and Directors (from 1 April 2020) agreed to reduce their base remuneration by 20% in exchange for Company shares (subject to shareholder approval). These shares will be escrowed until 31 March 2021. As a result of these cash preservation measures, the Company has incurred \$145,000 in non-cash costs during the Quarter.

During the Quarter, the Company's investment of \$871,000 in plant and equipment comprised:

- ✔ construction of the manufacturing facility;
- ✔ continued development of its Pharmaceutical Quality System and pharmacovigilance and clinical governance systems and processes; and
- ✔ investment in equipment to scale up production.

Related party transactions during the Quarter comprised \$177,000 for remuneration and allowances paid to directors of the Company.

The Company completed its IPO in February 2020 and in accordance with ASX Guidance Note 23, Appendix One to this report sets out the use of funds since admission to the ASX.





A message from Managing Director, Fleta Solomon

The ongoing importance of medicinal cannabis as a medical treatment option has been highlighted by the continued increase in patient demand both in Australia and overseas notwithstanding the impact of COVID-19.

For this reason, we believe it is necessary for LGP to continue to increase its production and supply of much-needed cannabis medicines to patients across the globe now, as our dedicated team continues to advance the development of innovative delivery systems to improve patient outcomes in the future.

Our recently expanded cultivation footprint and own manufacturing facility will provide inhouse capability to support our growth strategy, as we aim to create shareholder value through an integrated business model that captures improved margins across the entire value chain.

Our recent successful export of 1,000 consignment units to the United Kingdom and our upcoming shipment to Germany represent strategically important developments for the Company, as they allow LGP to prove up future sales pipelines to deliver significant volumes into key markets. The export of substantial volumes into international markets has always been and remains our primary longer-term goal for driving revenue growth.

Meanwhile, our increasing revenue growth and record quarter in domestic sales remains the foundation for our international sales pathways, as we look to cement LGP's status as Australia's leading producer and exporter of cannabis medicines.

ENDS

BY ORDER OF THE BOARD

A stylized, handwritten signature in dark ink, appearing to be "Alistair Warren".

Alistair Warren
Company Secretary



For further information please contact:

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About Little Green Pharma

Little Green Pharma is a vertically integrated medicinal cannabis business with operations from cultivation and production through to manufacturing and distribution.

The Company has an indoor cultivation facility in Western Australia and an exclusive partnership with a GMP-licensed pharmaceutical manufacturer for the production of its own-branded range of medicinal cannabis products.

Little Green Pharma products comply with all required Therapeutic Goods Administration regulations and testing requirements. With a growing range of products containing differing ratios of active ingredients, Little Green Pharma supplies medicinal-grade cannabis products to Australian and overseas markets.

The Company has a strong focus on patient access in the emerging global medicinal cannabis market and is actively engaged in promoting education and outreach programs, as well as participating in clinical investigations and research projects to develop innovative new delivery systems.

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

Little Green Pharma Ltd

Appendix One to the Quarterly Activities Report 30 June 2020

Reconciliation of the Use of Funds Statement from the Prospectus

	Prospectus Use of Funds	Fund used to 30 June 2020	Fund used in the June 2020 Quarter
	\$A'000	\$A'000	\$A'000
Sales and Marketing	1,650	1,142	474
Research and Development	1,500	357	126
Systems implementation	1,500	276	132
Manufacturing site expansion	1,500	1,154	494
Education activities	1,000	270	103
Regulatory compliance	500	373	130
International office costs	500	176	79
Inventory build up	850	844	517
Costs of the Offer	1,000	1,223	-
Total Use of Funds	10,000	5,815	2,055

Pursuant to ASX Guidance Note 23, this quarterly activity report sets out a comparison of the actual expenditure on the individual line items in the “use of funds” statement since the date of admission to the ASX against the prospectus lodged with ASIC in December 2019. The variance in relation to the costs of the offer relates to higher than anticipated costs in relation to the preparation and drafting of the prospectus.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Little Green Pharma Ltd

ABN

44 615 586 215

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	667	1,792
1.2 Payments for		
(a) research and development	(87)	(511)
(b) product manufacturing and operating costs	(340)	(1,375)
(c) advertising and marketing	(87)	(749)
(d) leased assets	(3)	(30)
(e) staff costs	(841)	(3,791)
(f) administration and corporate costs	(202)	(2,557)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	17	48
1.5 Interest and other costs of finance paid	(47)	(107)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	170	770
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(753)	(6,510)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(871)	(6,484)
(d) investments	-	-
(e) intellectual property	(5)	(13)
(f) other non-current assets	(50)	(270)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(926)	(6,767)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	10,000
3.2	Proceeds from issue of convertible debt securities	-	9,000
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,748)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(35)	(222)
3.10	Net cash from / (used in) financing activities	(35)	17,030

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,987	510
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(753)	(6,510)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(926)	(6,767)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(35)	17,030
4.5	Effect of movement in exchange rates on cash held	1	11
4.6	Cash and cash equivalents at end of period	4,274	4,274

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,274	1,987
5.2	Call deposits	3,000	4,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,274	5,987

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
177
-

Payments to related parties solely represents remuneration and allowances paid to Directors of the Company.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	60	15
7.3 Other (please specify)	-	-
7.4 Total financing facilities	60	15

7.5 **Unused financing facilities available at quarter end** 45

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The credit standby arrangements relate to the Company's credit card facility with the National Australia Bank ("NAB") at a variable interest rate and an unspecified term. As part of this facility, the NAB holds a \$60,000 term deposit as security.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(753)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,274
8.3 Unused finance facilities available at quarter end (Item 7.5)	45
8.4 Total available funding (Item 8.2 + Item 8.3)	4,319
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5.7

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 22 July 2020

Sign here:



Alistair Warren
(Company Secretary)

Authorised by: The Board