

22 JUNE 2021



LGP TO ACCELERATE GROWTH STRATEGY WITH ACQUISITION OF WORLD-CLASS PRODUCTION AND MANUFACTURING FACILITY IN DENMARK

SECURES ACQUISITION FUNDING WITH A\$27.2 MILLION CAPITAL RAISING

Highlights:

- 🌱 LGP acquires world-class, fully-operational GACP cultivation and GMP licensed medicinal cannabis asset in Denmark (EU) with capacity to produce in excess of 20 tonnes of biomass per annum including 12 tonnes per annum of dried cannabis flower
- 🌱 LGP acquired Denmark Facility for C\$20 million, with 50% paid at Completion and 50% payable in 12 months' time
- 🌱 Acquisition a clear strategic fit with LGP's existing operations and capabilities, immediately providing LGP with additional cultivation and manufacturing capacity and accelerating its planned capacity expansion by up to two years
- 🌱 Acquisition consistent with LGP's EU expansion strategy and provides platform to leverage the Company's early mover advantage in key EU markets
- 🌱 Acquisition represents step change for LGP, positioning Company as a leading global pure play medicinal cannabis producer and owner of one of the largest cannabis production assets in Europe
- 🌱 Company received firm commitments to raise A\$27.2 million by way of Placement to existing institutional and sophisticated investors in connection with the Acquisition
- 🌱 Placement received significant support from Hancock Prospecting, one of Australia's largest mining and resources companies, who committed A\$15 million under the Placement and will hold over 10% of the Company following Placement settlement
- 🌱 Placement proceeds to be applied to part fund the Acquisition, build out of the Company's European sales team, and fund capital expenditure works and working capital requirements



Little Green Pharma Ltd (ASX: LGP, “LGP” or the “Company”) is pleased to announce the acquisition of a world class cannabis GACP cultivation and EU-recognised GMP licensed cannabis production facility located in Denmark (“**Denmark Facility**”) as well as the receipt of firm commitments to raise A\$27.2 million by way of placement to institutional and sophisticated investors (“**Placement**”).

LGP plans to ramp up production at the Denmark Facility in line with market demand and anticipates producing LGP-branded and white-label medicines as well as bulk cannabis flower products for supply into global markets.

The acquisition positions LGP as a leading global pure play medicinal cannabis producer and owner of one of the largest cannabis production assets in Europe.

Denmark Facility Acquisition

The Denmark Facility, which meets EU GACP cultivation standards and holds an EU-recognised GMP manufacturing licence, is located in regional Denmark. Comprising a 21,500 m² cultivation site and 4,000 m² post-harvest GMP manufacturing site, LGP’s Denmark Facility has the capacity to produce in excess of 20 tonnes of biomass per annum including 12 tonnes per annum of GMP-manufactured cannabis flower for supply as bulk and finished medicinal cannabis flower products.

LGP acquired the Denmark Facility from Canopy Growth Corporation (TSX:WEED, NASDAQ: CGC) (“**Canopy**”) for a total consideration of C\$20 million (“**Acquisition**”). The Acquisition was executed via a sale and purchase agreement (“**SPA**”) to acquire 100% of the securities in Canopy Growth Denmark

ApS (hereafter “**LGP Denmark**”), which owns and operates the Denmark Facility.

Under the terms of the Acquisition, the Company acquired LGP Denmark for a total of C\$20 million in cash, with C\$10 million paid at Completion (“**Initial Consideration**”) and the remaining C\$10 million payable in 12 months pursuant to a retained loan at an imputed interest rate of 12.5%.

LGP plans to ramp up production at the Denmark Facility in line with market demand and anticipates producing LGP-branded and white-label medicines as well as bulk cannabis flower products for supply into global markets.

The Acquisition positions LGP as a leading global pure play medicinal cannabis producer and owner of one of the largest cannabis production assets in Europe.



Acquisition Strategic Rationale

Accelerates planned capacity expansion and market penetration

- LGP was already planning to expand its cultivation and manufacturing capacity to meet growing market demand - decision point was build vs buy
- Decision taken to buy:
 - significantly accelerates planned capacity expansion by up to two years
 - enables faster market penetration and brings growth forward
 - LGP proposes to embark on a rapid, market-share acquisition strategy by placing Denmark-produced strategically-priced new LGP brands / strains and white-label products into EU and global markets

Significantly increases capacity

- Acquisition immediately increases LGP's cultivation capacity to >23 tonnes per annum of cannabis biomass (up from ~3 tonnes) – a ~8x increase
- Significant production capacity ensures self-sufficiency and long-term security of supply
- Provides future expansion capability in Europe

Consistent with expansion strategy

- Acquisition consistent with LGP's EU expansion strategy and clear strategic fit with LGP's existing operations and capabilities

Platform to access EU markets

- Provides platform to leverage the Company's early mover advantage in key EU markets
- Additional capacity positions the Company to meet market demand driven by LGP's established brand and distribution channels in Europe
- Location within EU avoids many EU export/import barriers and requires substantially less export and logistics resourcing than sales from Australia into Europe
- Improves distribution strategy by serving European customers from Europe
- LGP Denmark has previously exported products to Germany, Australia and Czech Republic

Increased economies of scale

- Efficiency gains through greater scale of operations
- Denmark Facility expected to produce GMP medicinal cannabis flower at superior economics (cost per gram) to West Australian Facility
- Further cost efficiencies driven by manufacturing and lab testing being performed in-house
- Future cost efficiencies to be driven by additional automation

Attractive deal metrics

- Acquisition consideration compares very favourably with facility investment to date



Superior cost of incremental capacity expansion and avoidance of over-capitalisation

- Acquisition consistent with LGP's strategy of acquiring or building adequate capacity to meet market demand and avoiding over-capitalization
- Significantly lower cost of incremental capacity expansion through acquisition, with acquisition cost of ~A\$1.0 million per tonne approximately one third of the ~A\$2.7 million per tonne cost of building equivalent capacity in Australia while also representing a time saving of up to two years

Geographic diversification

- Two strategically located production facilities from which LGP can service Southern and Northern hemisphere markets



Continued medicinal cannabis focus

- Maintains LGP's sole focus on medicinal cannabis
- The Danish pharma and biotech industry is among the best and most innovative in the world
- Ensures continued access to market jurisdictions and investors that do not permit engagement with companies undertaking recreational cannabis activities

Access to best practices and knowledge

- LGP Group will benefit from internally sharing best-practice cultivation, manufacturing, and pharmaceutical practices and expertise
- 60 staff with average of three years' cannabis industry experience and trained by the world's largest cannabis company in a country known for its high GMP standard

LGP's Managing Director Fleta Solomon said

"The Acquisition is a step change for LGP. We have been speaking for some time about the need to increase our production capacity and the Denmark Facility not only gives us the cultivation and manufacturing capacity we need but does so immediately. We won't be constrained by the two-year build and permitting time required to expand our existing West Australian Facility.

"We are well positioned in the market to capitalise on the brand equity LGP has built in Europe and Australia, with the Denmark Facility providing immediate access to medical grade product at volumes that will allow us the opportunity to accelerate our growth strategy.

"We are confident this Acquisition is an efficient use of our capital and will drive long term value for our shareholders. The Denmark Facility provides more than eight times the capacity of our previous planned production expansion.

"Purchasing the Denmark Facility provides both cost and time savings and was a preferable option to building out production capacity at our existing facility. We'll keep our foot on our Australian property for longer term growth but are now able to redeploy the significant capex investment we had planned.

"We greatly appreciate the support of our institutional shareholders in helping us accelerate our growth strategy."

Placement Details and Use of Proceeds

LGP has received firm commitments to raise A\$27.2 million (before costs) from existing investors, including a A\$15 million commitment from Hancock Prospecting Pty Ltd (“**Hancock Prospecting**”). Hancock Prospecting is one of Australia’s largest mining and resources companies and will hold over 10% of the Company following the Placement.

Approximately 45.3 million new fully paid ordinary shares in the Company (“**New Shares**”) will be issued under the Placement at an issue price of A\$0.60 per New Share (“**Issue Price**”).

Proceeds of the Placement will be applied to fund:

- 🌱 the Initial Consideration of the Acquisition;
- 🌱 capital expenditure works to permit scaling of the Denmark Facility to 50% capacity;
- 🌱 the build out of the Company’s European sales team; and
- 🌱 working capital requirements.

The Issue Price of A\$0.60 per New Share represents a 9.8% discount to the 10-day Volume Weighted Average Price (“**VWAP**”) up to and including 18 June 2021 and a 7.7% discount to the last traded price (as at 18 June 2021).

New Shares will be issued under the Company’s available ASX listing rule 7.1 (26,719,833 shares) and 7.1A (18,613,500 shares) placement capacity and will rank pari passu with existing shares in the Company. Settlement of the Placement is expected to occur on or about Monday 28 June 2021.

Canaccord Genuity (Australia) Limited acted as Lead Manager to the Placement.

Background to Denmark Facility and LGP planned integration

The Denmark Facility is currently operating at 25% of its existing nameplate capacity and with current net monthly cash costs of ~C\$1 – 1.5 million. LGP will immediately prioritise reduction of these cash outflows through a combination of sales ramp-up and cost reduction projects and will target cash generation as soon as practicable. LGP believes it can scale the Denmark Facility to 50% production using its current resources and with only minimal additional capex.

In addition, the Denmark Facility:

- 🌱 has inventory of approximately one tonne of cannabis flower for potential sale into international markets, subject to relevant import/export regulatory requirements;



Hancock Prospecting’s General Manager – Business Development Mr. Dan Wade said

“In supporting the Company’s investment in its new facility and becoming a substantial shareholder, we hope to help many thousands of Australian and overseas patients access much-needed cannabis medicines.

We believe medicinal cannabis has a vital role in helping to treat a range of chronic conditions, and we’re pleased to support an Australian medicinal cannabis company in LGP that continues to put patients first and contribute to the development of this helpful & emerging industry.”

- is significantly advanced along the marketing authorisation pathway to supply a cannabis flower medicine into the Danish market. The Company anticipates releasing such cannabis medicine in early CY2022;
- has an available footprint sufficient to accommodate additional manufacturing equipment and operations for medicinal cannabis oils or more complex formulations;
- conducts all product testing inhouse (except for microbiological and pesticide testing), which testing capability could potentially provide a third-party testing service revenue stream;
- possesses world-class operational and quality teams, allowing the sharing of global best practices within the LGP Group; and
- is already engaged in various discussions with prospective offtakers and distributors for its flower production.

Status of medicinal cannabis in Denmark

Denmark is a significant pharmaceutical producing country, with ~17% of Danish exports comprising pharmaceutical or health-sciences products.

The Danish medicinal cannabis industry currently operates under a four-year pilot scheme (“**Pilot Scheme**”), which permits the supply and prescription of medicinal cannabis products to Danish patients and the cultivation, manufacture, and export of medicinal cannabis to overseas markets.

The Pilot Scheme is due to end in December 2021 however the Danish Parliament recently announced its intention to permanently enshrine the cultivation, manufacturing, and export regime into Danish law and to extend the local Danish prescriber Pilot Scheme for a further four years. Under Danish law, medicinal cannabis manufacturers may export cannabis medicines into countries that also permit the sale of recreational cannabis products.

Status of West Australian Facility and planned capacity expansion

The Company confirms its intention to continue to acquire the properties underlying its West Australian Facility and adjoining properties. Ownership of this land protects the significant investment LGP has made in its existing cultivation and manufacturing facilities and provides long term future growth capacity.

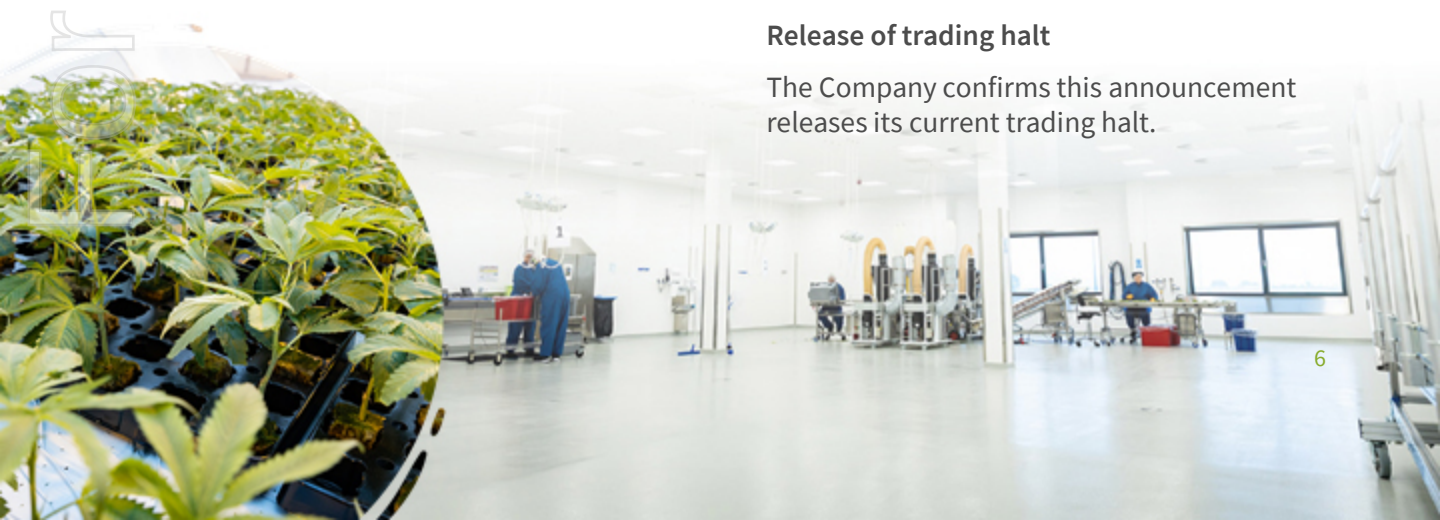
The Acquisition significantly increases the Company’s immediately available cultivation and manufacturing capacity and allows LGP to redeploy the significant capital investment previously earmarked to expand cultivation capacity at its West Australian Facility. The Company will continue to progress its plans to expand manufacturing capacity at its West Australian Facility to match its current cultivation capacity.

Material terms of the Acquisition

The material terms of the Acquisition are attached as Schedule 1.

Release of trading halt

The Company confirms this announcement releases its current trading halt.



BY ORDER OF THE BOARD



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About Little Green Pharma

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

The Company has two global production sites for the manufacture of its own-branded and white-label ranges of GMP-grade medicinal cannabis products, being a 21,500m² cultivation and 4,000m² GMP manufacturing facility capable of producing 20 tonnes of medicinal cannabis biomass per annum located in Denmark (EU) and an indoor cultivation and manufacturing facility located in Western Australia capable of producing ~3 tonnes of medicinal cannabis biomass per annum.

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

Help us be Green

LGP investors are encouraged to go paperless and receive Company communications, notices and reports by email. This will ensure efficient communication during COVID-19 while also helping to reduce our costs and environmental footprint. To easily update your communication preferences, visit:

www.computershare.com.au/easyupdate/lgp



Schedule 1

Material terms of the Acquisition

Under the SPA:

-  the Purchase Price for the Acquisition is C\$20 million, with C\$10 million paid upon Completion and the remaining C\$10 million payable in 12 months pursuant to a retained inter-Group loan at an imputed interest rate of 12.5% ("**Retained Loan**").
-  the Company acquired 100% of the securities of LGP Denmark on a cash-free basis and free of all corporate debt other than the Retained Loan above.
-  the Seller Group will not produce or export cannabis products from Denmark or sell medicinal cannabis flower into Denmark for a period of 24 months from Completion and will not purchase medicinal cannabis flower from Denmark for 12 months from Completion.

The SPA is otherwise on industry standard terms.

Pursuant to the transaction, the Seller will provide certain transitional IT services while LGP and LGP Denmark integrate their operations.

Further, under Danish law:

-  there are no foreign acquisition approval requirements applicable to the transaction nor any fit and proper person requirements for incoming shareholders; and
-  it has been confirmed the Acquisition will not trigger any cancellation or re-approval requirement of the underlying Asset licences or approvals.

