

LITTLE GREEN PHARMA

ABN 44 615 586 215

APPENDIX 4E

YEAR ENDED 30 JUNE 2021



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LITTLE GREEN PHARMA LTD

APPENDIX 4E

Results for announcement to the market

31 August 2021

| | |
|-------------------------------|-------------------------|
| Name of Company | Little Green Pharma Ltd |
| ABN | 44 615 586 215 |
| Reporting period | 30 June 2021 |
| Previous corresponding period | 30 June 2020 |

Appendix 4E for the year ended 30 June 2021

This page and the following pages comprise the year end information given to the ASX under Listing Rule 4.3A.

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

| | | | | | |
|--|----|--------------|------|----|--------------|
| Revenue from ordinary activities | Up | \$4,799,609 | 218% | to | \$7,003,630 |
| Profit from ordinary activities after tax | Up | \$33,918,990 | N/A | to | \$24,603,555 |
| Profit from ordinary activities before tax | Up | \$33,918,990 | N/A | to | \$24,603,555 |

Revenue from ordinary activities of \$7,003,630 consists primarily of revenue from the sale of medicinal oil and flower products. The profit from ordinary activities after tax includes a gain on the bargain purchase of the Denmark Facility of \$24,979,733, the accrual of \$1,889,424 in relation to the 30 June 2021 research and development incentive grant, share based payments of \$2,823,093, depreciation and amortisation of \$685,266, and a gain on changes in the fair value of biological assets of \$1,532,891.

Dividends

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

| Net tangible asset backing | Reporting period | Previous period |
|---|------------------|-----------------|
| Net tangible assets per ordinary security | \$0.401 | \$0.087 |

Change in ownership of controlled entities

On 21 June 2021, the Company acquired Canopy Growth Denmark ApS (renamed to Little Green Pharma Denmark ApS) in Denmark (EU). The Company also established LGP Operations Pty Ltd on 3 July 2020, LGP Holdings Pty Ltd on 12 April 2021 and LGP Alternative Therapies Pty Ltd on 28 May 2021, all wholly owned subsidiaries domiciled in Australia. The Company and its controlled entities are referred to as the LGP Group or Group.

Accounting standards used by foreign entities

All subsidiaries use International Financial Reporting Standards.

Independent auditor's report

The Financial Report is in the process of being audited.

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Review of operations

During the reporting period, LGP Group generated over \$7,003,630 in revenue with a profit after tax of \$24,603,555 (compared to the previous year's loss of \$9,315,435) predominately reflecting the impact of the bargain purchase of the Denmark Facility for accounting purposes.

The Company experienced strong growth in underlying demand in Australia with the number of patients increasing from 4,550 at 30 June 2020 to over 15,000 at the end of the reporting period.

Progress was also made in overseas markets, with products being delivered to Germany, the United Kingdom, France, New Zealand and Brazil. The Company also signed a five-year distribution agreement with Balancial in Denmark as well as an exclusive distribution agreement for Poland with a subsidiary of Pelion SA, the largest operator in the Polish and Lithuanian healthcare sector.

The gross margin continued to improve as a result of the increasing scale and operating efficiencies, with the gross margin increasing from 51% to 61% (when excluding changes to the fair value of biological assets) and increasing from 52% to 82% (when including changes to the fair value of biological assets).

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 Western Australian production operations, acquiring additional production capacity in the EU, further developing sales channels into Europe and internationally, and the education of 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 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 in excess of 20 tonnes of biomass per annum (including 12 tonnes per annum of dried cannabis flower) for an upfront payment of C\$10 million plus a deferred payment of C\$10 million plus interest due 30 June 2022;
- the successful fundraising of \$54.3 million of capital pursuant to two placements and a Share Purchase Plan, including a \$15 million investment by Hancock Prospecting;
- the receipt of binding purchase orders from key distribution partner Demecan in Germany which, if annualised based on Q4 order, effectively utilise LGP's entire WA flower production capacity;
- the entry into new distribution agreements for Denmark and Poland;
- the award of one of 4 primary supplier roles to supply cannabis medicines to the French national medicinal cannabis Pilot Program;
- 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 Classic 10:10 medicinal cannabis oil in treating chronic refractory pain;
- the entry into a partnership with Health Insurance Fund (HIF) to support improved access to and affordability of medicinal cannabis including through the payment of rebates for cannabis medicines to eligible HIF members;
- the re-rating of production capacity and grant of a TGA GMP licence for the Company's Western Australian facility; and
- the progression of the ARISE drug delivery project through the first of its three development phases.

Post the reporting period, the Company also acquired 16,000 m² of land underlying its Western Australian production facilities as well as two adjoining properties for ~ \$6.0 million (with \$4.2 million paid in cash and balance in scrip).

This statement was approved by the Board of Directors.



Alistair Warren
Company Secretary

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION UNAUDITED

| | Note | 30 June 2021 | 30 June 2020 |
|--|------|--------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 40,269,169 | 4,273,564 |
| Accounts receivable | 1 | 3,656,846 | 629,657 |
| Biological assets | 2 | 1,985,072 | 13,857 |
| Inventory | 3 | 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 | 4 | 54,065,269 | 7,488,069 |
| Right-of-use assets | 5 | 1,345,710 | 1,655,148 |
| Refundable deposits | 6 | 834,085 | 340,229 |
| Intangible assets | 7 | 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 | 8 | 3,486,056 | 2,086,993 |
| Deferred payment | 9 | 11,365,891 | - |
| Lease liability | 5 | 204,644 | 240,003 |
| Employee benefit obligations | 10 | 830,817 | 335,896 |
| Total current liabilities | | 15,887,408 | 2,662,892 |
| Lease liability | 5 | 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 | 11 | 86,197,119 | 29,944,260 |
| Reserves | | 1,896,929 | 1,161,181 |
| Accumulated 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.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE UNAUDITED

| | 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 | 12 | 3,379,527 | 600,258 |
| Government grants | | 520,777 | 320,081 |
| Gain on bargain purchase | 13 | 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 benefit/(expense) | 14 | - | - |
| 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 UNAUDITED

| | Share capital | | Share based payment reserve | Translation reserve | Accumulated deficit | 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 and shares issued | 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 CASHFLOWS - UNAUDITED

| | 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

1. 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 |

2. 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 |

3. 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 |

4. Property, plant and equipment

The Group's property, 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 2020 | 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 |

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5. 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 | (151,5292) |
| Depreciation | (176,586) |
| As at 30 June 2021 | 1,345,710 |

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 17 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.

6. 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 WA facility land 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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7. 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 |

8. 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 |

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9. Deferred payment

The Group is a party to a Loan Note in relation to the Little Green Pharma Denmark ApS acquisition.

The Loan Note is for a value of \$11,365,891, with an interest rate of 5% per annum due on 30 June 2022 (equivalent to C\$10 million at 12.5% interest).

10. 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 |

11. 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, with a weighted average issue price of \$0.38 per share. The remaining 1,247,977 shares were issued to service providers at a weighted average issue price of \$0.40.

12. 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 research and development 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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13. Business combinations

Acquisition of Canopy Growth Denmark ApS

On 21 June 2021, the Company acquired 100% of the securities in Canopy Growth Denmark ApS, renamed to Little Green Pharma Denmark ApS. Little Green Pharma 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 |
| Plant and equipment | 46,076,410 |
| Accounts payable and accrued liabilities | (1,792,195) |
| Deferred payment | (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 |

The net assets recognised at 30 June 2021 are provisional estimates of the fair value of the assets and liabilities including tax balances as the assessment has not been completed by the issue date of this report.

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14. 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 incentive | (415,819) | (165,071) |
| - Gain on bargain purchase | (6,494,731) | - |
| - Fair value gain on biological assets | (398,552) | - |
| - Other | 21,970 | (6,534) |
| - Movement in deferred tax asset not recognised | 156,204 | 2,362,428 |
| Income tax (benefit)/expense | - | - |

Total tax losses for which no deferred tax assets has been recognised is \$7,069,776 (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 | (407,711) | (9,159) |
| - Prepayments | (225,702) | (9,502) |
| - Plant & equipment | (1,380,290) | (137,299) |
| - Net lease liability | 19,439 | 8,241 |
| - Employee entitlements | 216,012 | 92,371 |
| Net deferred tax (asset)/liabilities | (1,778,252) | (55,348) |
| Benefit of tax losses not recognised | 1,778,252 | 55,348 |
| Net deferred tax (asset)/liability recognised | - | - |

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15. 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.

| | 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 |

16. Commitments

| | 30 June 2021 | 30 June 2020 |
|---|-----------------|------------------|
| Leases recognised as a liability | | |
| Non-cancellable leases | | |
| - Not later than 12 months | 282,656 | 318,983 |
| - Between 12 months and 5 years | 606,079 | 1,031,996 |
| | 888,735 | 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 17 Events after the reporting date). This extinguished commitments totalling \$536,900.

17. 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 m² 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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