

15 JUNE 2021

UPDATES RELATING TO TGA'S WHOLESALING RULES CLARIFICATION AND DEMECAN JUNE QUARTER ORDER

ASX ANNOUNCEMENT

Little Green Pharma Ltd (ASX: LGP, "LGP" or the "Company") wishes to provide an update to the market relating to its sales and distribution in Australia and Germany for the quarter ending 30 June 2021 ("Q4 FY2021").

Clarifications to medicinal cannabis wholesaling in Australia

The Therapeutic Goods Administration ("TGA") issued notices to all medicinal cannabis wholesalers clarifying the wholesaling rules for unregistered pharmaceutical products (including medicinal cannabis).

Based on this guidance, LGP has successfully implemented revised distribution agreements with all of its Australian distribution partners in compliance with the clarified rules, resulting in the Company recognising revenue when product is sold to the pharmacy rather than when product is sold to the wholesaler.

Distribution partners now act as distributors as opposed to wholesalers, still being responsible for warehousing and distributing product but without taking legal ownership. These updated wholesale arrangements will likely have the following effects:

- an increase to LGP's revenue with the realised sales price being that to the pharmacy instead of the wholesaler;
- an increase in cost of sales representing distribution costs (which typically account for 15-25% of the price to pharmacy, depending on the product);
- no material impact to LGP's gross profit;
- a reduction in gross margin percentage (driven by the gross up of distribution costs);



- a limited impact on the timing of LGP's cash receipts as distributors will continue to hold inventory on LGP's behalf and most will pay on similar terms based on the date of delivery to the warehouse with a true up at the end of the month for product actually sold to the pharmacy; and
- inventory levels are likely to move more towards a just-in-time basis.

These updated wholesale arrangements will see a reduction in both reported revenue and cost of sales for Q4 FY2021 as inventory held by distributors at the end of March (typically 2 - 4 months' worth), will be drawn down prior to new stock being delivered.

LGP has continued to experience strong growth in underlying demand in Australia with an average of 1,080 new patients per month during April and May, compared to 800 per month in the previous quarter. This has translated to a 20% increase in the monthly average number of units dispensed by distributors.

The June quarter is expected to be an anomaly with reduced Australian revenue and cost of sales compared to the prior quarter, though cash receipts are not likely to be significantly impacted from this change. Future quarters are expected to normalise with revenue and cost of sales reflecting patient supply within the quarter.

DEMECAN purchase order deliveries update

German wholesaler DEMECAN, which recently placed a \$2.5 million firm purchase order for Q2FY2022 (see ASX announcement dated 27 May 2021), has not yet received one of the several regulatory approvals required to import the remaining ~7,000 units (valued at approximately \$800,000) of its 9,000 unit order for the June 2021 quarter. These types of approvals are received in the normal course of business and there is no reason not to expect it in the near term.

In the event DEMECAN does not receive regulatory approval before the end of the June quarter, LGP will instead package this product for Australia, where it may be sold at superior pricing in subsequent quarters. Based on historic sales, the current flower shortage, and increasing patient demand, LGP is confident this volume could be sold into the Australian market.

Should this occur, future crop allocations which were previously planned for release in Australia will instead be redirected to DEMECAN once they receive their approvals as there has been no alteration to the quantum of purchase orders received.

ENDS

A handwritten signature in dark red ink, appearing to read "Alistair Warren", with a horizontal line underneath.

Alistair Warren

Company Secretary



For further information please contact:

Alistair Warren
Company Secretary
Little Green Pharma
E: alistair@lgpharma.com.au
T: +61 8 6280 0050

Fleta Solomon
Managing Director
Little Green Pharma
E: fleta@lgpharma.com.au
T: +61 8 6280 0050

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 and manufacturing facility in Western Australia for the production of its own-branded range of GMP-grade 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 medical-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

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