



Denmark
Acquisition and
Capital Raise

22 JUNE 2021



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Executive Summary

Transaction summary

- Little Green Pharma Ltd (“LGP”) has acquired 100% of the issued shares of Canopy Growth Denmark A.p.S (“LGP Denmark”) which owns a medicinal cannabis production facility in Denmark (EU) (“Denmark Facility”)
- Acquisition price C\$20 million (~A\$21.4m¹)

Denmark Facility overview

- World class cannabis cultivation and manufacturing facility in Denmark
- Meets GACP cultivation standards and holds EU-recognised GMP manufacturing licence
- Capable of producing >20 tonnes p.a. biomass including ~12 tonnes p.a. of dried cannabis flower

Strategic rationale

- Accelerates LGP’s current planned capacity expansion and market penetration by two years
- Immediately increases LGP’s cultivation capacity to >23 tonnes of biomass and ~13.5 tonnes per annum of dried cannabis flower (up from ~3.0 tonnes and ~1.5 tonnes, respectively)
- Acquisition consistent with LGP’s EU expansion strategy and clear strategic fit with LGP’s existing operations and capabilities
- Provides platform to leverage Company’s early mover advantage and brand equity in key EU markets
- Consistent with LGP’s strategy of acquiring or building adequate capacity to meet market demand and avoiding over-capitalisation
- Acquisition consideration compares very favourably with facility investment to date
- Maintains LGP’s sole focus on medicinal cannabis
- LGP Group will benefit from internally sharing best-practice cultivation, manufacturing, and pharmaceutical practices and expertise

1. CADAUD: 1.07

Executive Summary (cont'd)

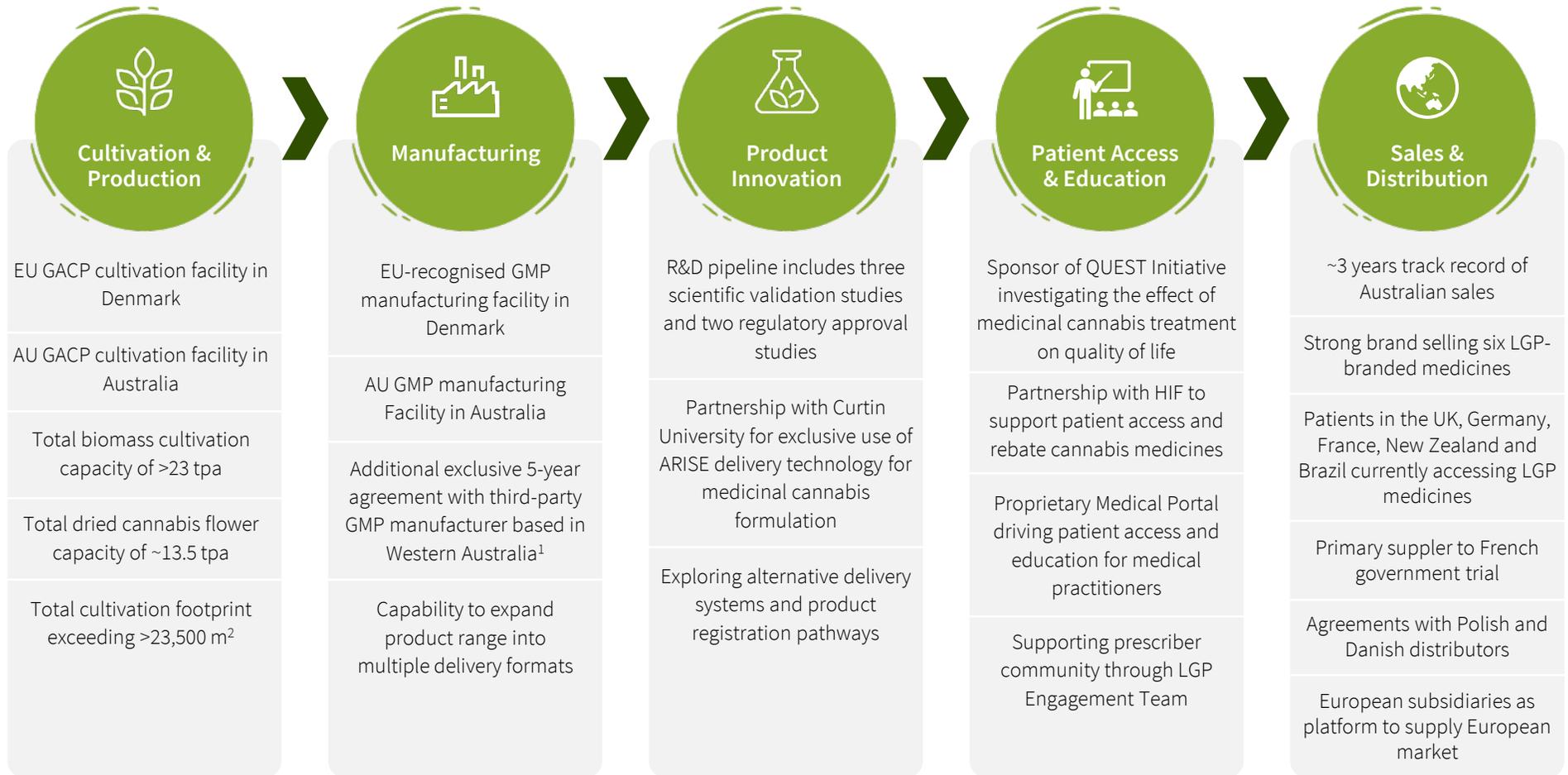
Integration success	<ul style="list-style-type: none">🌿 LGP will optimise production between new Denmark Facility and existing West Australian Facility🌿 Primary focus on ramping up sales from Denmark Facility
Acquisition consideration	<ul style="list-style-type: none">🌿 LGP has acquired LGP Denmark (including the Denmark Facility) for C\$20 million (A\$21.4 million¹) payable in cash as follows:<ul style="list-style-type: none">• C\$10 million (A\$10.7 million¹) at Completion (“Initial Consideration”); and• C\$10 million (A\$10.7 million¹) in 12 months pursuant to a retained loan at an imputed interest rate of 12.5%🌿 Purchased on a cash-free, debt-free basis with final purchase price adjusted on a dollar-for-dollar basis for cash on hand at Completion
Additional terms	<ul style="list-style-type: none">🌿 Canopy Growth Corporation (“Canopy”) to provide LGP:<ul style="list-style-type: none">• a licence to use four medicinal cannabis cultivars currently produced by the Denmark Facility for a period of 12 months; and• transitional IT services
Acquisition funding	<ul style="list-style-type: none">🌿 Acquisition cash consideration, capex and working capital costs to be funded from existing cash reserves and an institutional placement to raise A\$27.2 million (the “Placement”)
Timing	<ul style="list-style-type: none">🌿 The acquisition completed on Monday, 21 June 2021 (“Completion”)

1. CADAUD: 1.07



Our Business Model Captures Value

LGP operates across the entire medicinal cannabis supply chain



1. LGP has an exclusive agreement with a GMP licensed medicinal cannabis manufacturer who may only terminate the agreement after 22 November 2023 on 12 months' notice.

Growth Strategy

Little Green Pharma has a track record of sales growth with a clear pathway to increasing margins and driving significant revenue growth in Australia and offshore markets



Why these are strategically important:



Acquisition



Denmark Facility - Overview

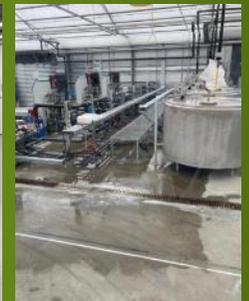
- World class cannabis cultivation and manufacturing facility in Denmark
 - Meets GACP cultivation standards and holds EU-recognised GMP manufacturing licence
 - Previous exports to Australia, Germany and Czech Republic
- Capable of producing >20 tonnes p.a. biomass including ~12 tonnes p.a. of dried cannabis flower
 - 21,500m² greenhouse cultivation area
 - 4,000m² post harvest GMP manufacturing facility including laboratory
 - Plant and equipment to produce ~12 tonnes p.a. of bulk dried cannabis flower
- Current inventory of ~1 tonne of cannabis flower for potential sale into international markets, subject to relevant import/export regulatory requirements
- Currently operating at ~25% capacity but able to scale to 50% with existing team (60 staff) and minimal capex



Denmark Facility



Cultivation facility



Manufacturing facility



Acquisition Strategic Rationale

Accelerates planned capacity expansion and market penetration	<ul style="list-style-type: none">🌿 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<ul style="list-style-type: none">• Significantly accelerates planned capacity expansion by up to two years• Enables faster market penetration and brings growth forward
Significantly increases capacity	<ul style="list-style-type: none">🌿 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	<ul style="list-style-type: none">🌿 Acquisition consistent with LGP’s EU expansion strategy and clear strategic fit with LGP’s existing operations and capabilities
Platform to penetrate EU markets	<ul style="list-style-type: none">🌿 Provides platform to leverage 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
Attractive deal metrics	<ul style="list-style-type: none">🌿 Acquisition consideration compares very favourably with facility investment to date

Acquisition Strategic Rationale (cont'd)

Increased economies of scale	<ul style="list-style-type: none">Efficiency gains through greater scale of operationsDenmark Facility expected to produce GMP medicinal cannabis flower at superior economics (cost per gram) to the West Australian FacilityFurther cost efficiencies driven by manufacturing and certain laboratory testing being done in-houseFuture cost efficiencies will be driven by additional automation
Superior cost of incremental capacity expansion	<ul style="list-style-type: none">Consistent with LGP's strategy of acquiring or building adequate capacity to meet market demand and avoiding over-capitalisationSignificantly lower cost of incremental capacity expansion through acquisition, with the acquisition cost of ~A\$1.0 million per tonne being 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	<ul style="list-style-type: none">Two strategically located production facilities from which LGP can service Southern and Northern hemisphere markets
Medicinal cannabis focus	<ul style="list-style-type: none">Maintains LGP's sole focus on medicinal cannabisThe Danish pharma and biotech industry is among the best and most innovative in the worldEnsures continued access to market jurisdictions and investors that do not permit engagement with companies undertaking recreational cannabis activities
Access to best-practices and knowledge	<ul style="list-style-type: none">LGP Group will benefit from internally sharing best-practice cultivation, manufacturing, and pharmaceutical practices and expertise60 staff with average of three years' industry experience and trained by the world's largest cannabis company in a country known for its high GMP standard



Capacity Expansion Strategy



LGP's West Australian Facility near 100% capacity for finished flower as result of orders received to date

- Expansion of West Australian Facility to 6 tonnes p.a. expected to require \$8 million investment and require one to two years to build out (construction and permitting)
 - Incremental 3 tonnes capacity (~\$2.7m per tonne)
- Acquisition of Denmark Facility immediately adds >20 tonnes of biomass cultivation capacity (~\$1.0m per tonne) and gives LGP two years of additional market access



Acquisition of Denmark Facility enables LGP to redeploy significant capital investment previously earmarked for the expansion of cultivation capacity at its West Australian Facility

- The Company will continue to progress its manufacturing capacity expansion at its West Australian Facility to match its current cultivation capacity

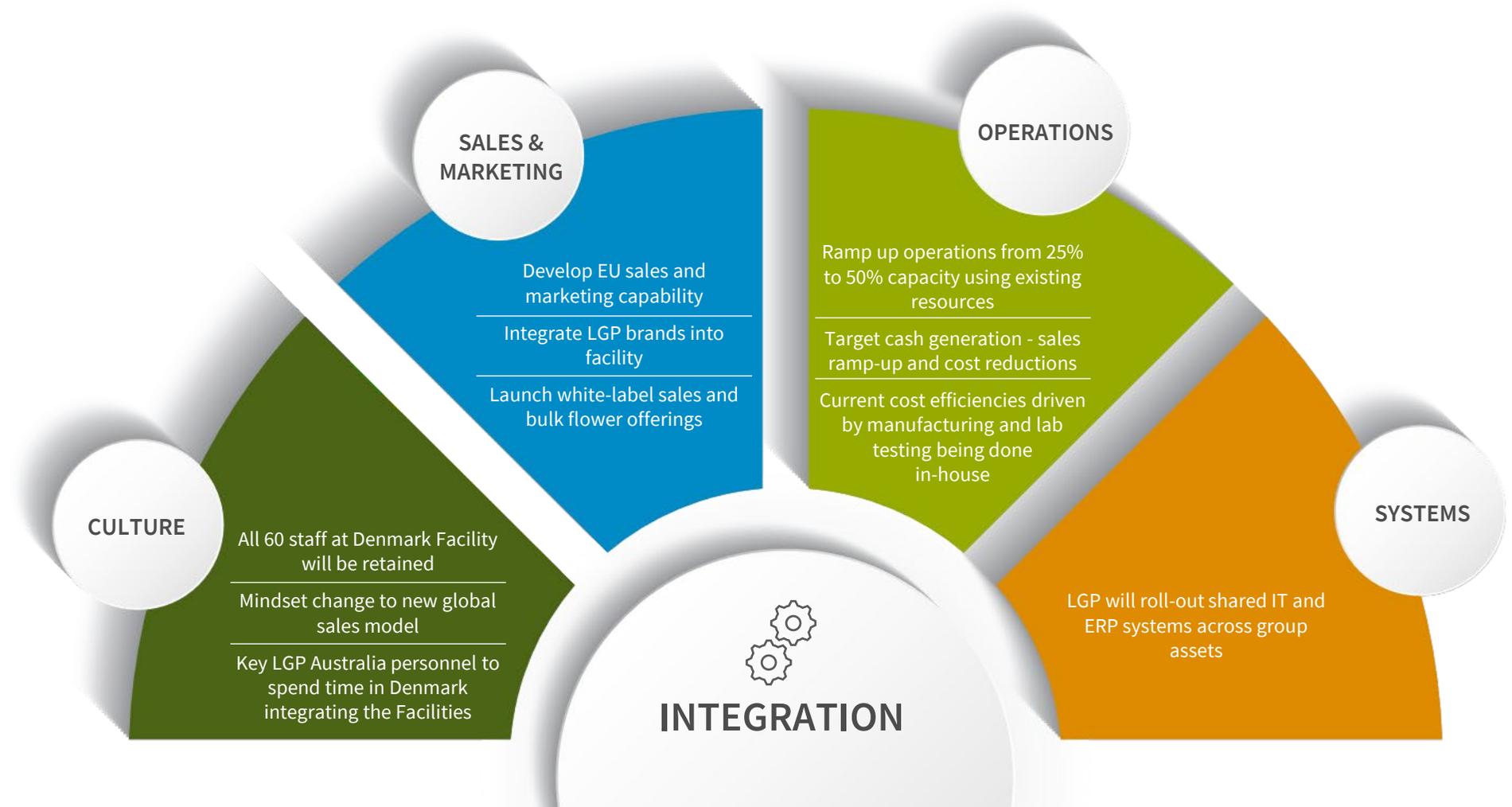


LGP proposes to embark on a rapid, market-share acquisition strategy by placing Denmark-produced strategically-priced new LGP brands / strains and white-label products into EU and global markets



Post Acquisition Integration

Fundamental post integration elements for synergy and value



Post Acquisition Integration (cont'd)

How we will increase sales

Why we are confident:

- Previous owners were only selling within corporate group
- Previous owners had multiple external inbound sales enquiries
- Management were pursuing MBO so were already investigating sales
- Meaningful sales pipelines already progressed – significant area of focus during the due diligence process

SALES & MARKETING

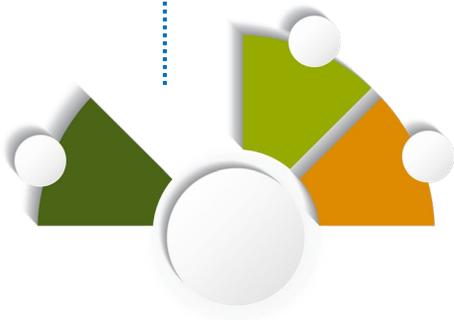
Develop Asset EU sales and marketing capability

Integrate LGP brands into facility

Launch white-label sales and bulk flower offerings

Product Mix:

1. LGP branded products
2. White label sales
3. Bulk biomass



Post Acquisition Integration (cont'd)

Phased and capital conservative approach to facility capex

Phased approach to capex investment and facility upgrade:

1. Upgrade production capacity from 25% to 50%, requiring automated flower packaging equipment (\$2m - \$3m)
2. Install oil extraction and bottling equipment (\$2m - \$3m)
3. Ramp up production to 100% capacity
4. Realise scale efficiencies and facility upgrades to reduce costs and increase yields (~\$5m)

OPERATIONS

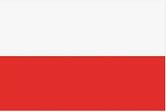
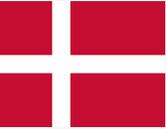
Ramp up operations from 25% to 50% capacity using existing resources

Target cash generation - sales ramp-up and cost reductions

Current cost efficiencies driven by manufacturing and lab testing being done in-house



Clear Pathway to International Sales

Poland	<ul style="list-style-type: none">✓ Medezin Sp. z o.o., a subsidiary of Pelion SA, appointed as exclusive distributor in Poland - Pelion SA is the largest operator in the Polish and Lithuanian healthcare sector✓ Medezin targets to sell Products equivalent to $\geq 20\%$ of the market for cannabis oil medicines and $\geq 10\%$ of the Market for high-THC cannabis flower medicines	
Denmark	<ul style="list-style-type: none">✓ Provides production platform to leverage Company's early mover advantage in key EU markets✓ Additional capacity positions Company to meet market demand driven by LGP's established brand and distribution channels in Europe	
France	<ul style="list-style-type: none">✓ Primary medicinal cannabis oil supplier to French government 2-year medicinal cannabis trial in partnership with local distributor Intsel Chimos✓ First mover advantage and brand equity in trial anticipated to catalyse the legalisation of medicinal cannabis market	
Germany	<ul style="list-style-type: none">✓ Medicinal cannabis oils and flower now shipped to Germany for patient use✓ LGP third global medicinal cannabis producer to export medicinal cannabis extract oils to Germany✓ Firm purchase orders totaling ~\$5.7m (>47,000 units) in CY2021 from DEMECAN	
United Kingdom	<ul style="list-style-type: none">✓ Medicinal cannabis oils now shipped to UK for patient use✓ Cannabis flower to be shipped to UK in near term✓ Working with local distributors to distribute medicines	
Pathfinder Shipments	Pathfinder shipments crucial for gaining intelligence of new market regulatory frameworks and establishing presence and distribution network growth – New Zealand, Lesotho, Brazil	

Capital Raising



Capital Raising Overview

Institutional placement	 LGP has raised A\$27.2 million by issuing approximately 45.3 million new fully paid ordinary shares in the Company (“ New Shares ”) under the Placement
Pricing	 Offer price of \$0.60 per New Share under the Placement: <ul style="list-style-type: none">• 7.7% discount to last close of \$0.65 on 18 June 2021• 9.8% discount to 10-day VWAP of \$0.665• 9.5% discount to 20-day VWAP of \$0.663
Use of Proceeds	 Proceeds of Placement to fund: <ul style="list-style-type: none">• Initial Consideration of the Acquisition;• capital expenditure works to permit scaling of Denmark Facility to 50% capacity;• the build out of the Company’s European sales team; and• working capital requirements
Ranking	 New Shares issued under the Placement expected to be allotted and quoted on the ASX on or about 28 June 2021 and will rank equally with existing LGP shares
Lead Manager	 Canaccord Genuity (Australia) Limited

Acquisition Terms

Acquisition consideration

- 🌿 LGP has acquired LGP Denmark (including the Denmark Facility) for C\$20 million (A\$21.4 million¹) payable in cash as follows:
 - C\$10 million (A\$10.7 million¹) Initial Consideration paid on Completion; and
 - C\$10 million (A\$10.7 million¹) payable in 12 months pursuant to a retained loan at an imputed interest rate of 12.5%
- 🌿 Purchased on a cash-free, debt-free basis with final purchase price adjusted on a dollar-for-dollar basis for all cash on hand at Completion

Timing

- 🌿 The acquisition Completed on Monday, 21 June 2021

Restraints

- 🌿 Canopy restrained from producing and exporting from Denmark and selling medicinal cannabis flower into Denmark for a period of 24 months from Completion, and from purchasing medicinal cannabis flower from third parties in Denmark for 12 months from Completion

Additional terms

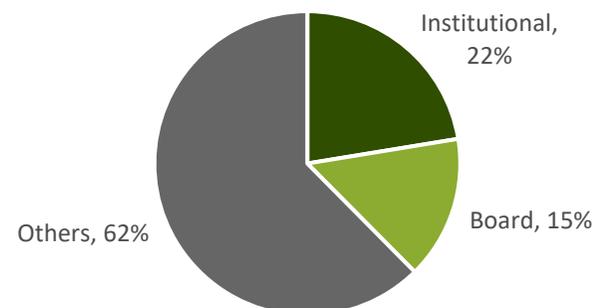
- 🌿 Canopy to provide LGP:
 - a licence to allow LGP to use the four medicinal cannabis cultivars currently produced by the Denmark Facility for a period of 12 months; and
 - transitional IT services

Corporate Overview (pre-Placement)

Capital Structure

Current Share Price ¹	\$0.65
Shares Outstanding ^{2,3}	187,274,615
Options and Performance Rights on Issue	12,008,746
Market Capitalisation (undiluted) ^{1,3}	~\$121.7 million
Cash Reserves (31 March 2021)	~\$28.5 million
Enterprise Value	~\$93.2 million

Register Breakdown⁴



Shareholders⁴

Shareholder	Shareholding	Ownership
Elixer Ltd	25.0m	13.4%
Fleta Solomon	20.3m	10.8%
HSBC Custody Nominees (Australia Limited)	10.9m	5.8%
TIGA Trading Pty Ltd (Thorney Investment Group)	9.5m	5.1%
Angus Caithness	6.4m	3.4%
Top 20 shareholders	96.5m	51.7%
Board ownership	27.9m	15.2%

1. As at 18 June 2021
2. 54,034,703 shares are escrowed 24 months from date of listing (20 February 2020)
3. Excludes ~2.7 million shares to be issued in respect of property acquisition (see ASX announcement dated 15 March 2021)

4. As at 9 June 2021

Key Risks

- LGP Denmark is unable to either meaningfully reduce current working capital requirements or place adequate sales into global markets resulting in additional capital requirements
- Denmark Facility optimisation capex projects are significantly delayed or do not result in additional capacity growth or yield optimisation as anticipated
- Regulatory timelines for approvals for sales into one or more key jurisdictions are materially delayed beyond current expectations resulting in reduced short- and medium-term sales profiles
- Key management and Quality team personnel exit LGP Denmark and LGP is unable to find suitable replacements
- There is a risk that the COVID-19 pandemic could result in the reduction, cessation or delay in operations or implementation of plans at the Denmark Facility
- The Danish medicinal cannabis industry is currently governed by the Danish Pilot Scheme which 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. Notwithstanding recent announcements and posture, the Danish government may subsequently refuse to extend the Danish Pilot Program beyond December 2021

Market Opportunity



Total Addressable Market

LGP's total addressable market is estimated at ~\$24bn¹ at maturity

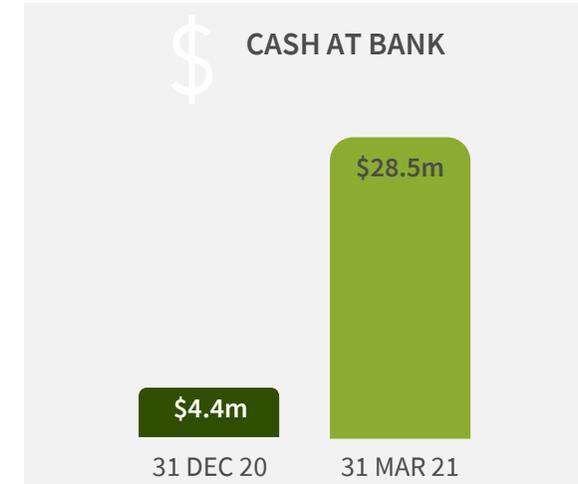
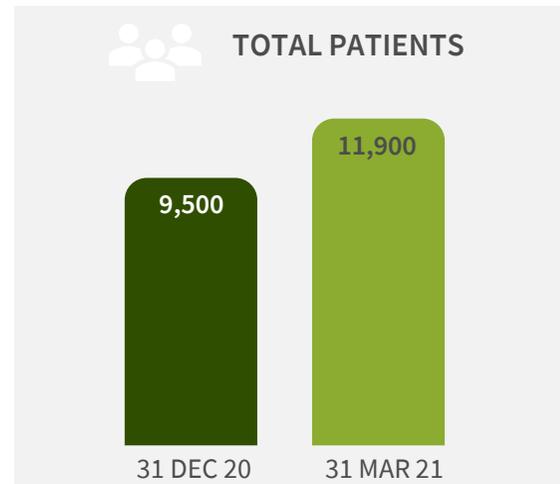
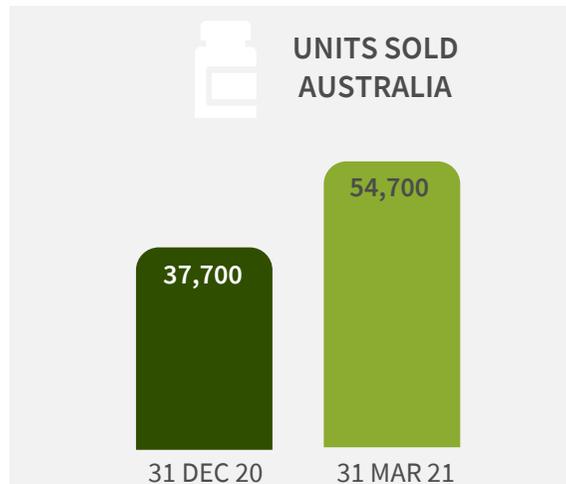
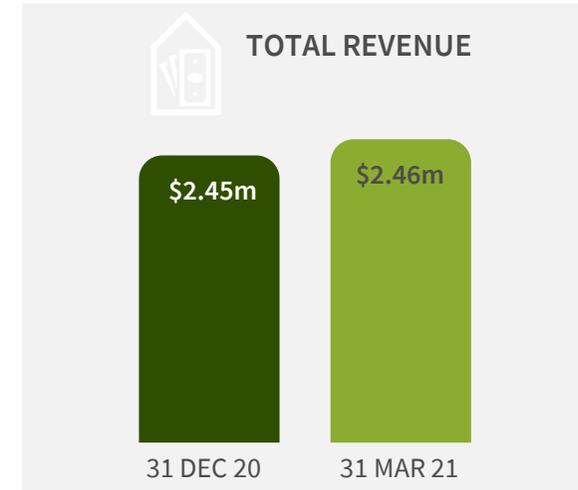
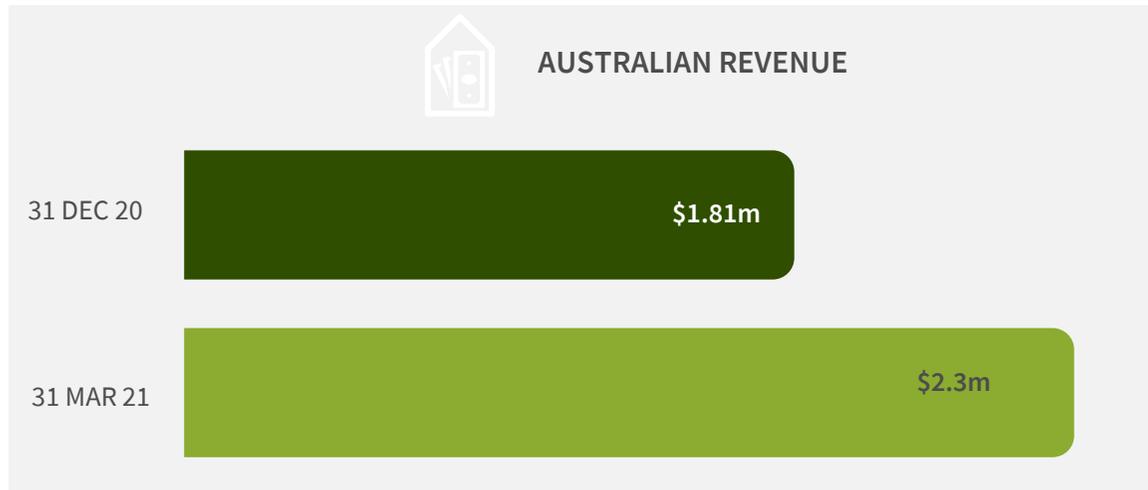
- The global medicinal cannabis is experiencing dramatic growth and LGP is one of a few companies world-wide with the capability to deliver into these new and emerging markets
- The following countries have been identified as LGP's current target markets based on regulatory frameworks and capability to deliver into key distribution networks

Country	Population	TAM at maturity	Notes
Australia	25m	A\$1bn	CBD over the counter could increase this estimate
France	65m	A\$6bn	Currently illegal (Government medicinal cannabis trial underway)
Germany	84m	A\$8bn	Already a large market
United Kingdom	68m	A\$6bn	Restricted by condition. CBD legal and widely available
Denmark	6m	A\$1bn	Government extended medicinal cannabis trial
Brazil	213m	A\$2bn	Cultivation illegal, but imported oils are permitted
TOTAL	461m	A\$24bn	

1. Canaccord Genuity Estimates – 12 May 2021 (based on Worldometer)

Track Record of Patient Access

Strong growth in sales and patients using LGP products in Australia



Key Points

- ✓ Accelerated growth strategy
- ✓ Greater production capacity
- ✓ Enables faster market penetration
- ✓ Close to our markets
- ✓ Efficient use of capital





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