



# **HABI Pharma Pty Ltd trading as Little Green Pharma**

**ABN: 44 615 586 215**

## **Financial Statements**

**For the year ended 30 June 2018**

# HABI Pharma Pty Ltd trading as Little Green Pharma

ABN: 44 615 586 215

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For the year ended 30 June 2018

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# HABI Pharma Pty Ltd trading as Little Green Pharma

ABN: 44 615 586 215

## Directors' Report For the year ended 30 June 2018

The Directors present their report on HABI Pharma Pty Ltd trading as Little Green Pharma for the financial year ended 30 June 2018.

### 1. General information

#### Information on Directors

The names of each person who has been a Director during the year and to the date of this report are:

Angus Caithness - Appointed 19 February 2018.

Fleta Solomon.

Directors have been in office since the start of the period to the date of this report unless otherwise stated.

During the financial year, 2 full meetings of directors were held. Attendances by each director during the year were as follows:

Directors' Meetings	
Number eligible to attend	Number attended
Fleta Solomon.	2
Angus Caithness	2

During the financial year, 2 meetings of the Advisory Board Members were held. Attendances by each Board Member during the year were as follows:

Advisory Board Meetings	
Number eligible to attend	Number attended
Michael Lynch-Bell	2
Neale Fong	2
Vanessa Nicholson	2
Rohan Hardcastle	2

The Advisory Board was established on 1 January 2018.

#### Principal activities

The principal activity of the Company during the year was the production of Australia's first locally grown medicinal cannabis as well as investing in research and development to make safe, reliable and effective medicinal cannabis.

No significant changes in the nature of the Company's activity occurred during the financial period.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Directors' Report For the year ended 30 June 2018

### 2. Operating results and review of operations for the year

#### Operating results

The loss of the Company after providing for income tax amounted to (\$3,757,810) (2017: (\$217,154)).

#### Dividends paid or recommended

No dividends were paid or declared since the start of the financial period. No recommendation for payment of dividends has been made.

#### Review of operations

The following is a review of the operations of the Company during the financial year ended 30 June 2018.

##### Capital raise

As part of the Company's capital raising it placed 5,000,000 shares at 20 cents to raise \$1,000,000 from sophisticated investors in October 2017.

The Company secured a cornerstone investment from LGC Capital Limited ("LGC") for \$1,500,000 plus 10,660,000 shares in LGC. LGC is listed on the Canadian TSXV and their investment represented a 14.99% interest in the Company. This investment was made in four tranches between October 2017 and February 2018.

Details of the LGC capital raise are as follows:

- The \$1,500,000 cash was raised at an issue price of 20 cents over 3 tranches starting on 11 October 2017;
- On the payment of the first tranche the Company received an "entry premium" of 5,660,000 LGC shares at a deemed issue price of \$0.11 to raise \$635,435; and
- On 9 February 2018 the Company issued 2,283,495 shares to LGC at a deemed issue price of \$1.16 in exchange for 5,000,000 LGC shares to raise \$2,657,950 for no cash consideration.

At 30 June 2018, LGC shares were trading at around CAD \$0.17 per share (11 October 2017: CAD \$0.11; 9 February 2018: CAD \$0.53);

On 12 September 2018 the Company sold 1.8 million shares at AUD \$0.24 per share resulting in proceeds of \$424,000.

##### First Crop Harvest

On the 26 December 2017 the Company planted its first crop and harvested it on 23 April 2018, releasing Australia's first locally grown medicinal cannabis products in August 2018.

##### Advisory Board

The Company established an Advisory Board effective from the 1 January 2018 to provide strategic guidance and Corporate oversight to the Company as it seeks to expand its operations.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Directors' Report For the year ended 30 June 2018

### 2. Operating results and review of operations for the year (continued)

#### Review of operations (continued)

##### Patent

On 7 April 2018, IP Australia granted the Company a Standard Australian Patent over its liposomal preparation and methods of treatment for a period of twenty years.

##### Licence

The Office of Drug Control renewed Little Green Pharma's cultivation and production licence for an additional two year period on 31 May 2018. The Company is not aware of any other medicinal cannabis company being granted a licence extension longer than one year.

##### ESIC status

The Early Stage Innovation Company ("ESIC") status ended on 30 June 2018. ESIC provided new investors in the Company certain tax incentives.

The Company's operations during the year performed as expected in the opinion of the Directors.

### 3. Other items

#### Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the financial year.

#### Events after the reporting date

The following material events have occurred after the reporting date:

##### *Product launched in Australia*

In August 2018 the Company released Australia's first locally grown medicinal cannabis product.

##### *Second crop harvest*

On 16 August 2018 the Company harvested its second crop.

##### *Sale of LGC Capital Limited shares*

On 12 September 2018 the Company sold approximately 1.8 million shares to realise AUD \$424,000 (CAD \$398,000) for working capital requirements.

Likely developments in the operations of the Company, and the expected results of those operations in future financial years, have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Directors' Report For the year ended 30 June 2018

### 3. Other items (continued)

#### Environmental issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory of Australia.

### 4. Indemnification and insurance of Directors and Officers

The Company has provided Directors and Officers a deed of indemnity as well as Directors and Officers insurance.

### 5. Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### 6. Auditor's Independence Declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2018 has been received and can be found on page 5 of the financial report.

Signed in accordance with a resolution of the Board of Directors:



Director: .....  
Fleta Solomon



Director: .....  
Angus Caithness

Dated this 28th day of September 2018

The Directors  
Habi Pharma Pty Ltd  
C/- Coote & Associates  
'C7', 1-3 The Esplanade  
Mount Pleasant WA 6153

28 September 2018

Dear Directors

### **Auditor's Independence Declaration to Habi Pharma Pty Ltd**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Habi Pharma Pty Ltd.

As lead audit partner for the audit of the financial statements of Habi Pharma Pty Ltd for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

*Deloitte Touche Tohmatsu*  
**DELOITTE TOUCHE TOHMATSU**  


**Ian Skelton**  
Partner  
Chartered Accountant

## HABI Pharma Pty Ltd trading as Little Green Pharma

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### Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2018

		2018	2017
	Note	\$	\$
Revenue	4	8,337	172
Other income	4	46,110	-
Research and development costs	5	(376,358)	(23,797)
Employee benefits expense	5	(543,865)	-
Impairment of available for sale financial assets	5	(1,445,385)	-
Depreciation and amortisation	5	(49,625)	(11,748)
Share based payments	5	(601,171)	(152,818)
General and administration expenses		(794,016)	(28,810)
Finance costs		(1,837)	(153)
<b>Loss before income tax</b>		<b>(3,757,810)</b>	<b>(217,154)</b>
Income tax expense	6	-	-
<b>Loss for the period</b>		<b>(3,757,810)</b>	<b>(217,154)</b>
<b>Total comprehensive income for the year</b>		<b>(3,757,810)</b>	<b>(217,154)</b>
<b>Loss per share attributable to the members of Habi Pharma Pty Ltd</b>			
Basic loss per share (cents)	20	(6.52)	(3.19)
Diluted loss per share (cents)		(6.52)	(3.19)

The accompanying notes form part of these financial statements.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Statement of Financial Position

As at 30 June 2018

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	7	1,474,010	726,770
Trade and other receivables	8	-	35,661
Inventories	9	41,913	-
Biological assets	10	68,237	-
Other assets	11	130,393	56,713
TOTAL CURRENT ASSETS		<u>1,714,553</u>	<u>819,144</u>
NON-CURRENT ASSETS			
Trade and other receivables	8	70,697	10,697
Other financial assets	12	1,848,000	-
Plant and equipment	13	363,763	124,762
Intangible assets	14	24,447	14,124
TOTAL NON-CURRENT ASSETS		<u>2,306,907</u>	<u>149,583</u>
TOTAL ASSETS		<u>4,021,460</u>	<u>968,727</u>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	15	351,784	145,745
Borrowings	16	-	56,373
Provisions	17	30,498	-
TOTAL CURRENT LIABILITIES		<u>382,282</u>	<u>202,118</u>
TOTAL LIABILITIES		<u>382,282</u>	<u>202,118</u>
NET ASSETS		<u>3,639,178</u>	<u>766,609</u>
<b>EQUITY</b>			
Issued capital	18	7,221,577	983,763
Reserves		392,565	-
Accumulated losses		(3,974,964)	(217,154)
TOTAL EQUITY		<u>3,639,178</u>	<u>766,609</u>

The accompanying notes form part of these financial statements.

**HABI Pharma Pty Ltd trading as Little Green Pharma**

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**Statement of Changes in Equity**

**For the year ended 30 June 2018**

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	<b>983,763</b>	<b>(217,154)</b>	<b>-</b>	<b>766,609</b>
Loss attributable to the members of Company	-	<b>(3,757,810)</b>	-	<b>(3,757,810)</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares issued	<b>6,289,064</b>	-	-	<b>6,289,064</b>
Share based payments	-	-	<b>392,565</b>	<b>392,565</b>
Share issue costs	<b>(51,250)</b>	-	-	<b>(51,250)</b>
<b>Balance at 30 June 2018</b>	<b>7,221,577</b>	<b>(3,974,964)</b>	<b>392,565</b>	<b>3,639,178</b>

	Ordinary Shares	Accumulated Losses	Share Based Payment Reserve	Total
	\$	\$	\$	\$
<b>Balance at 23 October 2016</b>	-	-	-	-
Loss attributable to the members of Company	-	<b>(217,154)</b>	-	<b>(217,154)</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares issued / Share based payments	<b>983,763</b>	-	-	<b>983,763</b>
<b>Balance at 30 June 2017</b>	<b>983,763</b>	<b>(217,154)</b>	<b>-</b>	<b>766,609</b>

The accompanying notes form part of these financial statements.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Statement of Cash Flows For the year ended 30 June 2018

	2018	2017
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and other income	46,110	-
Payments to suppliers and employees	(1,623,144)	(25,260)
Interest received	8,337	172
Interest paid	(1,837)	(153)
Net cash used in operating activities	28 <u>(1,570,534)</u>	<u>(25,241)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payment for intangible assets	(14,036)	(13,794)
Purchase of plant and equipment	(284,913)	(75,821)
Repayment of loans to related parties	(56,373)	(1,980)
Loans from related parties	-	58,353
Payment for deposit	(60,000)	(10,697)
Net cash used in investing activities	<u>(415,322)</u>	<u>(43,939)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of capital	2,784,346	795,950
Share issue costs	(51,250)	-
Net cash from financing activities	<u>2,733,096</u>	<u>795,950</u>
Net increase in cash and cash equivalents held	747,240	726,770
Cash and cash equivalents at the beginning of period	726,770	-
Cash and cash equivalents at the end of the financial year	7 <u><u>1,474,010</u></u>	<u><u>726,770</u></u>

### Non-cash financing and investing activities

The Company secured a cornerstone investment during the period from LGC Capital Limited ("LGC") for \$1,500,000 cash plus 10,660,000 shares in LGC. LGC is listed on the Canadian TSXV and their investment represented a 14.99% interest in the Company. At 30 June 2018 the LGC share price was CAD \$0.17 valuing the shares received at around AUD \$1,848,000. Post year end the Company sold approximately 1.8 million shares at a price of AUD \$0.24 per share realising AUD \$424,000 (CAD \$398,000)

The accompanying notes form part of these financial statements.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Notes to the Financial Statements For the year ended 30 June 2018

The financial report covers HABI Pharma Pty Ltd trading as Little Green Pharma as an individual entity. HABI Pharma Pty Ltd is a for-profit proprietary Company, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors on 28 September 2018.

### 1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

The functional and presentation currency is Australian dollars.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

### 2 Summary of Significant Accounting Policies

#### (a). Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

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## Notes to the Financial Statements

For the year ended 30 June 2018

### 2 Summary of Significant Accounting Policies (continued)

#### (b). Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

#### (c). Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable.

#### Research and development tax incentive benefits

The Company does not recognise the research and development tax incentive until all the conditions associated with the incentive have been assessed and the Company has complied with all conditions precedent. When the research and development tax incentive arising from the operations of the Company has reasonable assurance that the economic benefit will flow to the Company it is recognised in other income.

#### (d). Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

#### (e). Inventories

Inventories of harvested work-in-process and finished goods are valued at the lower of cost and net realisable value. Inventories of harvested cannabis are transferred from biological assets at the cost to harvest which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalised to inventory to the extent that cost is less than net realisable value. Net realisable value is determined as the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Inventories for resale and supplies and consumables are valued at the lower of costs and net realisable value, with cost determined using the average cost basis.

#### (f). Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

#### Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Notes to the Financial Statements For the year ended 30 June 2018

### 2 Summary of Significant Accounting Policies (continued)

#### (f). Property, plant and equipment (continued)

##### Depreciation (continued)

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

<b>Fixed asset class</b>	<b>Useful life</b>
Furniture, Fixtures and Fittings	1-5 years
Office Equipment	1-5 years
Computer Equipment	1-5 years
Leasehold improvements	2-5 years
Security, Fences, Gates & Grids	5-20 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

#### (g). Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

##### Financial Assets

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and other receivables fall into this category of financial instruments.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the

## HABI Pharma Pty Ltd trading as Little Green Pharma

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### Notes to the Financial Statements

For the year ended 30 June 2018

#### 2 Summary of Significant Accounting Policies (continued)

##### (g) Financial instruments (continued)

timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

##### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Company's management to hold them until maturity.

##### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category. The Company's available-for-sale financial assets comprise listed securities.

All available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

The investment in LGC Capital Ltd is reported at cost less any impairment charges.

##### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Company's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

##### Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

##### Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

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## Notes to the Financial Statements

For the year ended 30 June 2018

### 2 Summary of Significant Accounting Policies (continued)

#### (h). Intangibles

##### Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

##### Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

##### Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

Patents and trademarks are amortised over their useful life ranging from 3 to 20 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (i). Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### (j). Biological assets

The Company's biological assets consist of cannabis plants. With the exception of depreciation, which is directly expensed in the period and presented separately in the profit or loss, the Company capitalises the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The Company then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. The net unrealised gains or losses arising from changes in fair value less cost to sell during the year are included in profit or loss of the related year.

#### (k). Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

## **Notes to the Financial Statements**

**For the year ended 30 June 2018**

### **2 Summary of Significant Accounting Policies (continued)**

#### **(l). Share based payments**

The Company operates equity-settled share-based payment employee share, performance rights and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the current market value of the shares issued. The fair value of options is ascertained using an appropriate pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

Non-market vesting conditions are taken into account when considering the number of share based payments expected to vest. At the end of each reporting period, the Company revises its estimate of the number of share based payments which are expected to vest based on the non-market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

#### **(m). Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year. These are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

#### **(n). Foreign currency transactions**

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income.

#### **(o). Trade and other receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

At each reporting date, the Company's directors assess whether there is objective evidence that trade and other receivables have been impaired. Impairment losses are recognised in the profit or loss.

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### Notes to the Financial Statements

For the year ended 30 June 2018

#### 2 Summary of Significant Accounting Policies (continued)

##### (p). New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

<b>Standard Name</b>	<b>Effective date for entity</b>	<b>Requirements</b>	<b>Impact</b>
AASB 15 - Revenue from contracts with customers	1 January 2018	AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.	The changes in revenue recognition requirements in AASB 15 is unlikely to cause any changes to the financial statements as revenue has not been generated.
AASB 16 - Leases	1 January 2019	AASB 16 will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet.	Whilst the impact of AASB 16 has not yet been fully quantified, the entity currently has \$38,898 worth of operating leases which we anticipate will be brought onto the statement of financial position through the recognition of a right to use asset and associated lease liability. Interest and amortisation expense will increase and rental expense will decrease.
AASB 9 - Financial instruments	1 January 2018	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.	Whilst the impact of AASB 9 has not yet been fully quantified, the financial assets and liabilities comply with the proposed changes.

## **Notes to the Financial Statements**

### **For the year ended 30 June 2018**

#### **3 Critical Accounting Estimates and Judgments**

The Directors make estimates and judgments during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgments are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgments made have been described below.

##### **(a) Key estimates - share based payments**

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models – which require inputs such as the share price, risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed over the vesting period.

Some of the inputs used, such as the estimation of the non-market performance will affect the quantity of the performance rights granted.

##### **(b) Key estimates - biological assets and inventory**

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. In calculating the final inventory values, management compares the inventory cost to estimated net realisable value. Further information on estimates used in determining the fair value of biological assets is contained in Note 10.

Each item on inventory is reviewed on an annual basis to determine whether it is being carried at higher than its net realisable value.

##### **(c) Key judgment - non-recognition of research and development tax incentive benefits**

The balance of research and development tax incentive arising from operations of the Company has not been recognised as an asset because receipt as at this stage cannot be reliably calculated. The research and development tax incentive, which has not been recognised as an asset, will only be obtained if:

- i) The Company's activities fulfil the eligibility criteria of the research and development tax initiative and it is successful in registering for the research and development initiative;
- ii) The Company continues to comply with the conditions for registration of the research and development tax initiative imposed by law; and
- iii) no changes in tax legislation adversely affecting the Company realising the tax incentive from research and development.

# HABI Pharma Pty Ltd trading as Little Green Pharma

ABN: 44 615 586 215

## Notes to the Financial Statements For the year ended 30 June 2018

### 4 Revenue

	2018	2017
	\$	\$
Interest received	8,337	172
Research and development tax incentive	46,110	-
<b>Total Revenue</b>	<b>54,447</b>	<b>172</b>

During the year the Company applied and was granted the research and development tax incentive arising from the work performed in creating the medicinal cannabis product.

### 5 Result for the Period

The result for the year includes the following specific expenses:

Research and development costs	376,358	23,797
Salaries and wages	467,962	-
Superannuation	45,406	-
Leave provision expense	30,498	-
Depreciation	45,912	1,499
Amortisation	3,713	10,249
Impairment of available for sale financial assets	1,445,385	-
Share based payments	601,171	152,818
<b>Total</b>	<b>3,016,405</b>	<b>188,363</b>

Share based payments expense relates to various payments to advisors and employees to the Company for legal, accounting, research and other services. Refer to Note 21.

### 6 Income Tax Expense

(a). Reconciliation of income tax to accounting profit:

Loss for the period before income tax	(3,757,810)	(217,154)
Prima facie tax receivable on loss from ordinary activities before income tax at 27.5% (2017: 27.5%)	(1,033,398)	(59,717)
Add:		
Tax effect of:		
- non-deductible depreciation and amortisation	-	2,817
- non-deductible expenses - legal fees	14,270	3,621
- Impairment of financial assets	397,481	-
	(621,647)	(53,279)
Less:		
Tax effect of:		
- Tax effect of losses for which no deferred tax asset has been recognised	(621,647)	(53,279)
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therein.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Notes to the Financial Statements

For the year ended 30 June 2018

### 7 Cash and Cash Equivalents

	2018	2017
	\$	\$
Cash at bank and in hand	1,474,010	726,770
<b>Total cash and cash equivalents</b>	<b>1,474,010</b>	<b>726,770</b>

### 8 Trade and Other Receivables

GST receivable	-	35,661
<b>Total current trade and other receivables</b>	<b>-</b>	<b>35,661</b>
Deposits	70,697	10,697
<b>Total non-current trade and other receivables</b>	<b>70,697</b>	<b>10,697</b>

### 9 Inventories

At cost:		
Raw materials and consumables	2,876	-
Work in progress	39,037	-
<b>Total inventory</b>	<b>41,913</b>	<b>-</b>

### 10 Biological Assets

	Crops
	\$
Opening balance	-
Additions/purchases	155,467
Transfer to work in progress	(87,230)
<b>Balance at 30 June 2018</b>	<b>68,237</b>

At year end the second crop was one month into its three month grow cycle and had not been harvested at 30 June 2018.

## HABI Pharma Pty Ltd trading as Little Green Pharma

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### Notes to the Financial Statements

For the year ended 30 June 2018

#### 11 Other Assets

	2018	2017
	\$	\$
Prepayments	130,393	56,713
<b>Total other assets</b>	<b>130,393</b>	<b>56,713</b>

Prepayments consist of insurance, rent, licences and permits that are recognised over the relevant period.

#### 12 Other Financial Assets

##### (a) Available-for-sale financial assets

Listed investments - fair value

Shares in listed entities

**Total available-for-sale financial assets**

1,848,000	-
<b>1,848,000</b>	<b>-</b>

As part of the capital raising that occurred during the year LGC Capital Limited ("LGC") issued to the Company a total of 10,660,000 shares at a deemed price of AUD \$0.31 per share. Post year end the Company sold approximately 1.8 million shares at a price of AUD \$0.24 per share realising \$424,000.

##### Available-for-sale financial assets

Opening balance

Acquisition of LGC shares

Impairment of available-for-sale financial assets

**Total available-for-sale financial assets**

-	-
3,293,385	-
(1,445,385)	-
<b>1,848,000</b>	<b>-</b>

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Notes to the Financial Statements For the year ended 30 June 2018

### 13 Plant and equipment

	2018	2017
	\$	\$
CORPORATE ASSETS		
Furniture, fixtures and fittings		
At cost	2,518	2,518
Accumulated depreciation	(268)	(16)
Total furniture, fixtures and fittings	<u>2,250</u>	<u>2,502</u>
Office equipment		
At cost	3,789	278
Accumulated depreciation	(596)	(14)
Total office equipment	<u>3,193</u>	<u>264</u>
Computer equipment		
At cost	59,346	14,857
Accumulated depreciation	(20,455)	(604)
Total computer equipment	<u>38,891</u>	<u>14,253</u>
Computer software		
At cost	50,000	-
Accumulated depreciation	(822)	-
Total computer software	<u>49,178</u>	<u>-</u>
PRODUCTION ASSETS		
Leasehold improvements		
At cost	115,228	44,695
Accumulated depreciation	(13,912)	(543)
Total leasehold improvements	<u>101,316</u>	<u>44,152</u>
Security, fences, gates and grids		
At cost	180,292	63,913
Accumulated depreciation	(11,357)	(322)
Total security, fences, gates and grids	<u>168,935</u>	<u>63,591</u>
<b>Total plant and equipment</b>	<u><u>363,763</u></u>	<u><u>124,762</u></u>

## HABI Pharma Pty Ltd trading as Little Green Pharma

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### Notes to the Financial Statements

For the year ended 30 June 2018

#### 13 Plant and equipment (continued)

##### (a) Movements in carrying amounts of plant and equipment

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

	Furniture, Fixtures and Fittings \$	Office Equipment \$	Computer Equipment \$	Computer Software \$	Leasehold Improvements \$	Security, Fences, Gates & Grids \$	Total \$
<b>For the year ended 30 June 2018</b>							
Balance at the beginning of year	2,502	264	14,253	-	44,152	63,591	124,762
Additions	-	3,511	44,489	50,000	70,533	116,380	284,913
Depreciation expense	(252)	(582)	(19,851)	(822)	(13,369)	(11,036)	(45,912)
<b>Closing value at 30 June 2018</b>	<b>2,250</b>	<b>3,193</b>	<b>38,891</b>	<b>49,178</b>	<b>101,316</b>	<b>168,935</b>	<b>363,763</b>

	Furniture, Fixtures and Fittings \$	Office Equipment \$	Computer Equipment \$	Computer Software \$	Leasehold Improvements \$	Security, Fences, Gates & Grids \$	Total \$
<b>For the period ended 30 June 2017</b>							
Additions	2,518	278	14,857	-	44,695	63,913	126,261
Depreciation expense	(16)	(14)	(604)	-	(543)	(322)	(1,499)
<b>Closing value at 30 June 2017</b>	<b>2,502</b>	<b>264</b>	<b>14,253</b>	<b>-</b>	<b>44,152</b>	<b>63,591</b>	<b>124,762</b>

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Notes to the Financial Statements For the year ended 30 June 2018

### 14 Intangible Assets

	2018 \$	2017 \$
Patents, trademarks and other rights		
Cost	35,572	21,536
Accumulated amortisation	(11,125)	(10,201)
<b>Net carrying value</b>	<b>24,447</b>	<b>11,335</b>
Development costs		
Cost	2,837	2,837
Accumulated amortisation	(2,837)	(48)
<b>Net carrying value</b>	<b>-</b>	<b>2,789</b>
<b>Total intangible assets</b>	<b>24,447</b>	<b>14,124</b>

#### (a) Movements in carrying amounts of intangible assets

	Patents, trademarks and other rights \$	Development costs \$	Total \$
<b>For the year ended 30 June 2018</b>			
Balance at the beginning of the year	11,335	2,789	14,124
Additions	14,036	-	14,036
Amortisation	(924)	(2,789)	(3,713)
<b>Closing value at 30 June 2018</b>	<b>24,447</b>	<b>-</b>	<b>24,447</b>

	Patents, trademarks and other rights \$	Development costs \$	Total \$
<b>For the period ended 30 June 2017</b>			
Additions	21,536	2,837	24,373
Amortisation	(10,201)	(48)	(10,249)
<b>Closing value at 30 June 2017</b>	<b>11,335</b>	<b>2,789</b>	<b>14,124</b>

## HABI Pharma Pty Ltd trading as Little Green Pharma

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### Notes to the Financial Statements

For the year ended 30 June 2018

#### 15 Trade and Other Payables

	2018	2017
	\$	\$
Trade payables	160,648	118,995
GST payable	47,316	-
Employee benefits	34,185	-
Sundry payables and accrued expenses	109,635	26,751
<b>Total trade and other payables</b>	<b>351,784</b>	<b>145,746</b>

Trade payables related to the production facility consist of \$63,040 (2017: \$65,245) and \$27,380 (2017: \$56,713) related to prepayments. Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

#### 16 Borrowings

Related party payables are interest free and callable on demand, refer to Note 27.

Unsecured liabilities:

Related party payables (payable at call)

#### Total current borrowings

-	56,373
-	56,373

#### 17 Provisions

Annual leave

#### Total provisions

30,498	-
30,498	-

## HABI Pharma Pty Ltd trading as Little Green Pharma

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### Notes to the Financial Statements For the year ended 30 June 2018

#### 18 Issued Capital

	2018 No.	2018 \$	2017 No.	2017 \$
At the beginning of the reporting period	41,147,337	983,763	-	-
<b>Shares issued during the period</b>				
Founder shares	9,336,000	44,346	34,214,000	163,763
Advisor shares (in lieu of fees)	1,762,500	105,000	2,200,000	110,000
Employee shares (in lieu of salary)	623,334	106,333	-	-
Share placements	13,700,000	2,740,000	4,733,337	710,000
Entry premium - LGC Capital Ltd	-	635,435	-	-
Shares issued in exchange for investment in LGC	2,283,495	2,657,950	-	-
Share issue costs	-	(51,250)	-	-
<b>Total issued capital</b>	<b>68,852,666</b>	<b>7,221,577</b>	<b>41,147,337</b>	<b>983,763</b>

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to a vote in proportion to their percentage holding.

The Company does not have authorised capital or par value in respect of its shares.

#### (a). Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits for stakeholders. The Company defines capital as its equity and net debt.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk.

#### 19 Share based payments reserve

This reserve records the cumulative value of employee service or supplier service received for the issue of share options and performance rights. When an option or performance right is exercised the amount in the share based payment reserve is transferred to share capital.

The valuation model used was Black Scholes Option Pricing Model utilising the inputs detailed below.

## HABI Pharma Pty Ltd trading as Little Green Pharma

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### Notes to the Financial Statements For the year ended 30 June 2018

#### 19 Share based payments reserve (continued)

##### Director Options

7,500,000 Options were issued to Angus Caithness the Executive Director as part of the terms of his contract on 19 September 2017 of which he voluntarily forfeited 4,000,000 after being appointed a Director. The remaining 3,500,000 options have a value of \$0.037 each giving a total value of \$129,535 vesting over a three year period.

The inputs used to value the options are:

- Share price - \$0.12.
- Exercise price - \$0.30.
- Risk free rate - 2.37%.
- Dividend rate - 0%.
- Time to expiry - 3 years.
- Volatility - 80%.

A total of 875,000 options have vested at 30 June 2018.

##### Heads of Department Options

The Board resolved on 18 December 2017 to issue 1,000,000 options to each of the heads of department with a value of \$0.06 per option giving a total value of \$240,132 vesting over 2 years (\$60,033 each). The following inputs were used:

- Share price - \$0.16.
- Exercise price - \$0.30.
- Risk free rate - 2.37%.
- Dividend rate - 0%.
- Time to expiry - 3 years.
- Volatility - 80%

The options vest as follows:

- 125,000 - 30 June 2018.
- 375,000 - 31 December 2018.
- 500,000 - 31 December 2019.

A total of 500,000 options have vested at 30 June 2018.

## HABI Pharma Pty Ltd trading as Little Green Pharma

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### Notes to the Financial Statements For the year ended 30 June 2018

#### 19 Share based payments reserve (continued)

##### Manufacturer Options

The Board resolved on 31 January 2018 to issue 500,000 options at a value of \$0.043 per option to the Company's manufacturer for 5 years exclusivity plus 1 year notice period as part of the service agreement. The value was derived using the following inputs:

- Share price - \$0.16.
- Exercise price - \$0.30.
- Risk free rate - 2.37%.
- Dividend rate - 0%.
- Time to expiry - 2 years.
- Volatility - 80%.

The Options may be exercised by the supplier after the following vesting dates:

- (a) 125,000 - 31 January 2018.
- (b) 125,000 - 31 July 2018.
- (c) 125,000 - 31 January 2019.
- (d) 125,000 - 31 July 2019.

A total of 125,000 options have vested at 30 June 2018.

##### ESOP Options

The Board resolved on 18 December 2017 to issue options in terms of an Employee Securities Incentive Plan ("ESOP") on the following terms:

- Vesting in three equal tranches on 1 July 2018, 1 July 2019 and 1 July 2020.
- 30 cent exercise price.
- 3 year expiry.
- Should a change in control occur all options vest.

The options were issued over 2 tranches with the following inputs:

Tranche 1 with a value of \$0.06 per option giving a total value of \$84,046 vesting over 2.5 years:

- Share price - \$0.16.
- Exercise price - \$0.30.
- Risk free rate - 2.37%.
- Dividend rate - 0%.
- Time to expiry - 3 years.
- Volatility - 80%.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Notes to the Financial Statements For the year ended 30 June 2018

### 19 Share based payments reserve (continued)

Tranche 2 with a value of \$0.031 giving a total value of \$44,849 vesting over 2.5 years:

- Share price - \$0.16.
- Exercise price - \$0.30.
- Risk free rate - 2.37%.
- Dividend rate - 0%.
- Time to expiry - 2.5 years.
- Volatility - 80%.

At 30 June 2018 no options have vested.

#### Performance Rights

Angus Caithness, the Executive Director was granted as part of the terms of his employment contract 6,500,000 performance rights based on the following vesting conditions:

- First product produced - 3,000,000.
- Cultivation licence renewed - 1,000,000.
- Market capitalisation of \$100 million - 1,000,000.
- Change of control or initial public offering - 1,500,000.
- Performance rights, if achieved also have a time served requirement and vest over the 3 year contract starting 19 September 2017.

Each performance share has a value of 12 cents giving a maximum total value of \$780,000. At 30 June 2018 these milestones are considered more likely than less likely to be achieved and therefore the full potential cost has been recognised and is being amortised over 3 years with an expense of \$202,117 being recognised at 30 June 2018. At 30 June 2018 the cultivation licence had been renewed and once the remuneration committee has been established, they will confirm the achievement of the milestone.

	2018	2017
	\$	\$
<b>Share based payment reserve</b>		
Opening balance	-	-
Transfers in	<b>392,565</b>	-
<b>Total share based payment reserve</b>	<b>392,565</b>	-

### 20 Earnings per Share

(a). Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2018	2017
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<b>57,659,629</b>	6,809,762

## HABI Pharma Pty Ltd trading as Little Green Pharma

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### Notes to the Financial Statements For the year ended 30 June 2018

#### 21 Share-based Payments

To 30 June 2018 the Company had the following options issued:

	Opening No	Granted No	Forefeited No	Closing No	Unvested No	Exercisable No
Director	-	7,500,000	(4,000,000)	3,500,000	2,625,000	875,000
4 Heads of Department	-	4,000,000	-	4,000,000	3,500,000	500,000
Employee share option scheme	-	2,850,000	-	2,850,000	2,850,000	-
Manufacturer options	-	500,000	-	500,000	375,000	125,000
<b>Total</b>	<b>-</b>	<b>14,850,000</b>	<b>(4,000,000)</b>	<b>10,850,000</b>	<b>9,350,000</b>	<b>1,500,000</b>

	Exercise Price	Expense \$
Director	30 Cents	33,596
4 Heads of Department	30 Cents	96,224
Employee share option scheme	30 Cents	47,055
Manufacturer options	30 Cents	13,573
<b>Total</b>		<b>190,448</b>

As disclosed in note there were options issued during the 2018 year. During the year the total expense arising from the issue of options is \$190,448 (2017: nil)

#### 22 Capital and Leasing Commitments

##### (a) Operating Leases

Minimum lease payments under non-cancellable operating leases:

- not later than one year

<b>17,188</b>	17,188
<b>17,188</b>	<b>17,188</b>

Operating leases are in place for the production facility and the corporate office and normally have a term between one to two years.

## HABI Pharma Pty Ltd trading as Little Green Pharma

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# Notes to the Financial Statements

For the year ended 30 June 2018

### 23 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments.

The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Company is exposed to are described below:

#### Specific risks

- Liquidity risk
- Credit risk
- Market risk - interest rate risk and price risk

#### Financial instruments used

The principal categories of financial instruments used by the Company are:

- Cash at bank
- Investments in listed shares
- Trade and other payables

#### Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Company's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The day-to-day risk management is carried out by the Company's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies.

The Board of Directors receive monthly management accounts.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Notes to the Financial Statements

For the year ended 30 June 2018

### 23 Financial Risk Management (continued)

#### Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Company maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods.

At the reporting date, these reports indicate that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

The Company's liabilities have contractual maturities which are summarised below:

	Not later than 1 month	
	2018	2017
	\$	\$
Trade Payables	160,648	118,995
Sundry payables and accrued expenses	109,635	26,751
<b>Total financial liabilities</b>	<b>270,283</b>	<b>145,746</b>

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

##### (i) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Company holds financial instruments which are other than the AUD functional currency.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Notes to the Financial Statements For the year ended 30 June 2018

### 23 Financial Risk Management (continued)

Exposures to currency exchange rates arise from the Company's overseas investment in listed securities, which are primarily denominated in Canadian Dollars.

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

2018	AUD \$
<b>Financial assets</b>	<b><u>1,848,000</u></b>

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Company's financial assets and financial liabilities and the Canadian Dollar – Australian Dollar exchange rate.

It assumes a +/- 5% change of the Australian Dollar / Canadian Dollar exchange rate for the year ended 30 June 2018.

The year end rate was 0.97 Canadian Dollar to 1 Australian Dollar.

If the Australian Dollar had strengthened and weakened against the Canadian Dollar by 5% then this would have had the following impact:

	2018		2017	
	+5%	-5%	+-%	--%
<b>CAD</b>				
Net results	-	(193,723)	-	-
Equity	193,723	-	-	-

Exposures to foreign exchange risk arise from the investment in listed securities in Canada.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Notes to the Financial Statements

For the year ended 30 June 2018

### 23 Financial Risk Management (continued)

#### (ii) Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held being available-for-sale.

The Company's investments are held in the following sectors at reporting date:

	2018	2017
Healthcare	<u>100 %</u>	<u>- %</u>

#### Sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in the current securities held. The table indicates the impact on how profit and equity values reported at the end of the reporting year would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	2018		2017	
	+20.00%	-20.00%	+-%	--%
Impact on post-tax profit	-	(454,925)	-	-
Impact on equity	454,925	-	-	-

Equity would increase and the profit and loss would decrease as a result of fair value movements through the financial asset reserve. The decrease in the profit is as a consequence of any impairment arising from significant fluctuation in the share price of LGC Capital Ltd.

### 24 Auditors' Remuneration

	2018	2017
	\$	\$
Deloitte		
- auditing the financial statements	39,500	22,000

# HABI Pharma Pty Ltd trading as Little Green Pharma

ABN: 44 615 586 215

## Notes to the Financial Statements For the year ended 30 June 2018

### 25 Fair Value Measurement

The Company measures the following assets and liabilities at fair value on a recurring basis:

- Financial assets
  - Listed Shares

#### Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the company:

	Level 1	Level 2	Level 3	Total
30 June 2018	\$	\$	\$	\$
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Listed Shares	1,848,000	-	-	1,848,000

There were no financial assets requiring valuation during the period ended 30 June 2017.

### 26 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2018 (30 June 2017:None).

### 27 Related Parties

Related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

# HABI Pharma Pty Ltd trading as Little Green Pharma

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## Notes to the Financial Statements For the year ended 30 June 2018

### 27 Related Parties (continued)

#### (a). Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the prior period William McKay provided consulting services to the Company and prior to new shareholders was issued 19,600,000 shares at 0.475 cents totalling \$93,100. During the current year Fleta Solomon was issued with 9,336,000 shares at 0.475 cents totalling \$44,346.

#### (b). Loans from related parties

	Opening balance	Closing balance	Interest not charged	Interest paid/payable	Impairment
	\$	\$	\$	\$	\$
<b>Loans from related parties</b>					
2017	-	56,373	-	-	-
2018	56,373	-	-	-	-
<b>Loans from related parties</b>					

No interest was paid on the related party loan, the terms of the loan was that it was at call and due for repayment when the related party requests repayment. As at 30 June 2017 no salary was paid or was payable to any related parties. Share based payments were paid during the period and these have been disclosed in Note 21.

#### (c). Key management personnel compensation

	2018	2017
	\$	\$
Short-term employee benefits	198,052	-
Post-employment benefits	11,400	-
Share-based compensation	235,713	-
	<b>445,165</b>	-

The share-based payments provided to key management personnel consists of options and performance rights issued to directors. Terms of the compensation is documented in Note 19.

	Short-term employee benefits	Post- employment benefits	Share-based compensation	Total
	\$	\$	\$	\$
Fleta Solomon	120,000	11,400	-	131,400
Angus Caithness	78,052	-	235,713	313,765
	<b>198,052</b>	<b>11,400</b>	<b>235,713</b>	<b>445,165</b>

## HABI Pharma Pty Ltd trading as Little Green Pharma

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### Notes to the Financial Statements For the year ended 30 June 2018

#### 28 Cash Flow Information

Reconciliation of net income to net cash provided by operating activities:

	2018	2017
	\$	\$
Loss for the year before tax	<b>(3,757,810)</b>	(217,154)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in profit:		
- depreciation	<b>45,912</b>	1,499
- amortisation	<b>3,713</b>	10,249
- share based payments	<b>601,171</b>	161,472
- impairment loss	<b>1,445,385</b>	-
Changes in assets and liabilities:		
- increase in trade and other receivables	<b>35,661</b>	-
- increase in other assets	<b>(73,680)</b>	(56,713)
- increase in biological assets	<b>(68,237)</b>	-
- increase in inventories	<b>(41,913)</b>	-
- increase in trade payables	<b>208,766</b>	75,406
- increase in provisions	<b>30,498</b>	-
Net cashflows from operations	<b><u>(1,570,534)</u></b>	<b><u>(25,241)</u></b>

# HABI Pharma Pty Ltd trading as Little Green Pharma

ABN: 44 615 586 215

## Notes to the Financial Statements

For the year ended 30 June 2018

### 29 Operating Segments

#### Segment information

##### Identification of reportable segments

The Company has identified its operating segment based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

During the current year and the prior period the Board of Directors have assessed the Company operated in a single operating segment and in one geographic segment.

##### Basis of accounting for purposes of reporting by operating segments

###### (a). Accounting policies adopted

Unless stated below, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of HABI Pharma Pty Ltd trading as Little Green Pharma.

###### (b). Segment performance

	Total	
	2018	2017
	\$	\$
<b>REVENUE</b>		
Other income	46,110	-
Interest revenue	8,337	172
<b>Total segment revenue</b>	<b>54,447</b>	<b>172</b>
Depreciation and amortisation	(49,623)	(11,748)
Impairment of financial assets	(1,445,385)	-
Research and development	(376,358)	-
Share based payments	(601,171)	(152,818)
Other expenses	(1,339,720)	(52,760)
<b>Net loss before tax from continuing operations</b>	<b>(3,757,810)</b>	<b>(217,154)</b>

# HABI Pharma Pty Ltd trading as Little Green Pharma

ABN: 44 615 586 215

## Notes to the Financial Statements For the year ended 30 June 2018

### 29 Operating Segments (continued)

#### (c). Segment assets

Cash and cash equivalents	1,474,010	726,770
Plant and equipment	363,763	124,762
Financial assets	1,848,000	-
Other segment assets	335,687	117,195
<b>Total segment assets</b>	<b>4,021,460</b>	<b>968,727</b>

#### (d). Segment liabilities

	2018	2017
	\$	\$
<b>Segment liabilities</b>	<b>382,282</b>	<b>202,118</b>

### 30 Events Occurring After the Reporting Date

The following material events have occurred after the reporting date:

#### *Product launched in Australia*

1 August 2018 the Company released in Australia the first locally produced medicinal cannabis product.

#### *Second crop harvest*

On 16 August 2018 the Company harvested its second crop.

#### *Sale of LGC Capital Limited shares*

On 12 September 2018 the Company sold approximately 1.8 million shares to realise AUD \$424,000 (CAD \$398,000) for working capital requirements.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

## **HABI Pharma Pty Ltd trading as Little Green Pharma**

ABN: 44 615 586 215

### **Notes to the Financial Statements For the year ended 30 June 2018**

#### **31 Statutory and Additional Information**

The registered office of the Company is:

1 The Esplanade  
Mount Pleasant WA 6153

The principal place of business is:

Unit 7, 55 Hampden Road  
Nedlands WA 6009

#### **Substantial Shareholders**

The following shareholders currently hold greater than 5% of the shares in the Company.

- Habi Pty Ltd - 28.47%
- Fleeta Solomon - 28.47%
- LGC Capital Limited - 14.21%

**HABI Pharma Pty Ltd trading as Little Green Pharma**

ABN: 44 615 586 215

**Directors' Declaration**

The directors of the Company declare that:

- 1. the financial statements and notes for the period ended 30 June 2018 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position and performance of the Company;
- 2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director .....  
Fleta Solomon



Director .....  
Angus Caithness

Dated 28 September 2018

## Independent Auditor's Report to the Board of Habi Pharma Pty Ltd

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Habi Pharma Pty Ltd (the "Company") which comprises the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 30 June 2018, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte Touche Tohmatsu*  
**DELOITTE TOUCHE TOHMATSU**



**Ian Skelton**

Partner

Chartered Accountants

Perth, 28 September 2018