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**MMJ PHYTOTECH LIMITED**

**ACN 601 236 417**

**NOTICE OF GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 11:00am AWST  
**DATE:** 9 January 2017  
**PLACE:** Offices of BDO  
38 Station Street  
Subiaco, WA 6008

***The business of the Meeting affects your shareholding and your vote is important.***

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 11:00am AWST on 7 January 2017.***

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – APPROVAL TO DISPOSE OF A MAIN UNDERTAKING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the sale by the Company of its shares in United Greeneries Holdings Ltd and Satipharm AG to Harvest One Capital Inc. on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 2. RESOLUTION 2 – APPROVAL TO DISPOSE OF A MAJOR ASSET WITHOUT PRO RATA OFFER TO SHAREHOLDERS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 11.4 and for all other purposes, approval is given for the sale by the Company of its shares in United Greeneries Holdings Ltd and Satipharm AG to Harvest One Capital Inc. on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a party to the transaction to acquire United Greeneries Holdings Ltd and Satipharm AG and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**Dated: 28 November 2016**

**By order of the Board**



**Erlyn Dale  
Company Secretary**

## **Voting in person**

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To vote in person, attend the Meeting at the following time, date and place:

TIME: 11:00am AWST  
DATE: 9 January 2017  
PLACE: Offices of BDO  
38 Station Street  
Subiaco, WA 6008

## **Voting by proxy**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by **11:00am AWST on 7 January 2017** in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9389 3150.***

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. RESOLUTION 1 AND 2 – APPROVAL TO DISPOSE OF A MAIN UNDERTAKING AND MAJOR ASSET WITHOUT A PRO RATA OFFER TO SHAREHOLDERS

#### 1.1 Background

On 28 September 2016, MMJ signed a binding Term Sheet (**TSR Term Sheet**) with TSX-V listed company Top Strike Resources Limited (TSX-V: TSR) (**Top Strike**), to sell MMJ's 100% of issued capital in United Greeneries Holdings Pty Ltd (**United Greeneries**) and Satipharm AG (**Satipharm**) (together, the **Spin Out Companies**), to Top Strike.

Subsequently, the Company received a superior proposal from Canadian based Harvest One Capital Inc (**Harvest One**) (TSX-V NEX: WON.H) that had the potential to deliver increased value to Shareholders.

The Directors considered that the Harvest One proposal, which remains subject to Shareholder approval (sought under Resolutions 1 and 2), offered Shareholders a number of strategic benefits including an improved valuation for the Spin Out Companies and the TSR Term Sheet with Top Strike was terminated.

Accordingly, on 3 November 2016, the Company announced to ASX that it had entered into a binding terms sheet (**Term Sheet**) with Harvest One pursuant to which Harvest One would acquire from the Company's UK subsidiary, PhytoTech Medical (UK) Pty Ltd, 100% of the issued capital in the Spin Out Companies, for the following consideration:

- (a) cash consideration of C\$2,000,000;
- (b) 53,333,333 common shares in Harvest One (**Harvest One Shares**) at an a deemed issue price not less than C\$0.75 per Harvest One Share (on a post-Harvest One Consolidation basis); and
- (c) reimbursement for the funds spent on the Spin Out Companies business and operations between 1 October 2016 and the close of the Transaction (subject to a budget to be agreed between the Company and Harvest One),

(the **Transaction**).

#### 1.2 Current operations of the Spin Out Companies

##### United Greeneries

United Greeneries is a Canadian based wholly owned subsidiary of the Company, is the owner and operator of the Company's two growing facilities in Canada, the Duncan Facility and the Lucky Lake Facility and is responsible for the cultivation process within the Company's business.

##### (a) Duncan Facility

On 30 June 2016, MMJ advised that Health Canada had officially approved United Greeneries as an authorised Licensed Producer at the Company's flagship Duncan Facility under the Marihuana for Medical Purposes Regulations (**MMPR**).

Significantly, MMJ is one of only a small group of companies globally with the capacity to commercially cultivate medicinal grade cannabis in a federally regulated environment.

The Duncan Facility is a state of the art MC operation with approximately 10,000 ft<sup>2</sup> of cultivation area. To date, MMJ has spent approximately CAD\$8 million on

the construction and establishment of the Duncan Facility, which includes high compliance items such as a Level 8 Narcotics Vault and a full service in-house biochemical and analytical laboratory.

With highly scalable cultivation capacity of between 700-1,000 kg/year, Duncan has significant excess processing capacity that can be potentially utilised later by United Greenies to process internal or third party materials.

(b) **Lake Lucky Facility**

The Lucky Lake Facility in Lucky Lake, Saskatchewan is a 62,000 ft<sup>2</sup> modern, concrete agricultural facility sitting on over 18 acres of land. The facility includes a potential residential property for future employees and has a vast supply of water and electricity.

The Lucky Lake Facility's MMPR application was submitted in March 2015 and is currently in the security clearance stage of review.

**Satipharm**

Satipharm is the wholly owned Swiss subsidiary of the Company and is the processing and distributing arm of the Company's current business.

Satipharm is specialised in development and production of dietary supplements and cosmetics with a focus on legally accessible cannabidiol (CBD). From this development originated CBD Gelpell Microgel Capsules, a CBD product with a unique, controlled delivery system with enhanced oral bioavailability. Satipharm's vision is to become a global leading company in this segment through the development and commercialisation of this technology platform.

**1.3 Harvest One**

Harvest One was incorporated on August 28, 2008 under the British Columbia Company Act and is a "Capital pool company" (**CPC**) currently listed on the NEX Board of the TSX Venture Exchange (**TSX-V**) in Canada. The TSX-V CPC program permits an Initial Public Offering (**IPO**) to be conducted and a TSX-V listing to be achieved by a newly created company that has no assets, other than cash, and has not commenced commercial operations. The CPC then uses this pool of funds to identify and evaluate assets or businesses which, when acquired, qualify the CPC for listing as a regular Tier1 or Tier 2 Issuer on the TSX-V.

Harvest One announced on February 2, 2010 that it had completed its initial distribution of securities to the public and the shares were listed for trading on the TSX-V on February 5, 2010 with the trading symbol WON.P. On February 6, 2012 trading in the shares of Harvest One were halted on the TSX-V for failure to complete its "Qualifying Transaction" (as defined in TSX-V Exchange Policy 2.4) (**QT**) within 24 months of listing. On May 17, 2012 the TSX-V issued a bulletin stating that effective Friday, May 18, 2012, the Company's listing would transfer from the TSX-V to the TSX-V-NEX board and the Company's Tier classification and the Filing and Service Office would also change from the TSX-V to the TSX-V-NEX board.

Harvest One has not commenced commercial operations. Its business is the identification and evaluation of assets or businesses with a view to completing a QT.

The Company has obtained legal advice that confirms that the Transaction will constitute the QT for Harvest One as such terms is defined in Policy 2.4 of the TSX-V. Accordingly, upon completion of the Transaction, Harvest One will be re-named and intends, subject to continued compliance with necessary regulatory requirements, to become a large-scale cannabis producer targeting supply to the Canadian medical and recreational market listed on the TSV-X.

#### **1.4 Canadian Cannabis Market Overview**

The Canadian medical cannabis market is one of the most highly regulated and favourable operating jurisdictions globally. At present, there are 34 approved companies operating under the current regulatory framework, of which 10 are publicly listed in Canada.

A significant value catalyst for licenced producers will be the regulating of the Canadian recreational cannabis market. The Canadian government has committed to the introduction of the new recreational regulatory system by the second half of calendar 2017. It is expected that existing licenced producers under the current regulatory framework will have a strategic first-mover advantage as early stage suppliers to this recreational market.

#### **1.5 ASX Listing Rule 11.2**

ASX Listing Rule 11.2 provides that where a company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders.

The disposal of the Spin Out Companies would constitute the disposal of the Company's main undertaking and accordingly, Resolution 1 seeks Shareholder approval for the disposal of a main undertaking of the Company on the terms of the Terms Sheet.

#### **1.6 ASX Listing Rule 11.4**

ASX Listing Rule 11.4 provides that an entity must not dispose of a major asset if at the time of the disposal it is aware that the person acquiring the asset intends to issue or offer securities with a view to becoming listed. This rule does not apply if:

- (a) the securities, except those to be retained by the entity are offered pro-rata to holders of ordinary securities in the listed entity or in another way that, in ASX's opinion is fair in all of the circumstances; or
- (b) holders of ordinary securities in the listed entity approve the disposal without the offer referred to in 1.6(a) being made.

ASX Guidance Note 13 indicates that ASX is likely to regard an asset as a major asset if:

- (a) the value of, or the value of the consideration for, the asset represents 20% or more of consolidated equity interests;
- (b) the value of, or the value of the consideration for, the asset represents 15% or more of consolidated assets;
- (c) the revenue attributable to the asset represents 15% or more of consolidated operating revenue; or
- (d) the market capitalisation of the acquiring entity is 20% or more of the market capitalisation of the entity.

As Harvest One is currently listed on the NEX Board of the TSX-V, the acquisition of the Spin Out Companies will result in the Spin Out Companies being listed on the TSX-V.

The aggregate sale price of the Spin Out Companies of C\$42,000,000 represents approximately 113% of the Company's current market capitalisation (undiluted and based on a Share price of \$0.195). The disposal of the Spin Out Companies would therefore constitute the disposal of a major asset.

As noted in section 1.8(b) below, the Company may, in the future, seek to distribute the Harvest One Shares to the Company's Shareholders by way of dividend or capital return, concurrent with the completion of the Transaction. It is intended that details of this will be determined when entering into a definitive agreement for the Transaction and therefore, as at the date of this Notice, the Company has not finalised an offer to

its Shareholders regarding any distribution of the Harvest One Shares. Accordingly, Listing Rule 11.4 approval is required.

Resolution 2 seeks Shareholder approval for the disposal of a major asset of the Company on the terms of the Terms Sheet, in circumstances such that the asset will become listed, without offering those securities pro rata to current Shareholders.

The Company has determined not to procure Harvest One to make a pro rata offer to the current Shareholders for the following reasons:

- (a) the regulatory burden and associated cost of Harvest One having to prepare a prospectus that is compliant with both Australian and Canadian laws in relation to offers of securities; and
- (b) as noted above, the fact that the Company currently intends, in due course, to distribute the Harvest One Shares to the Shareholders. However, the Company notes that this will require a separate shareholder approval in the future (together with possibly preparing a prospectus) and that only Shareholders who continue to hold their Shares at the record date for the distribution will be entitled to receive shares in Harvest One. The record date will be after any subsequent meeting of shareholders to approve the distribution, so any Shareholders who sell their Shares prior to this date will not obtain an entitlement to any shares in Harvest One.

## 1.7 Indicative timetable

Subject to the requirements of the ASX Listing Rules, the Company anticipates completion of the Sale will be in accordance with the following timetable:

Event	Date
ASX announcement of the Transaction	3 November 2016
Notice of Meeting despatched to Shareholders	1 December 2016
Completion of C\$15 million Financing by Harvest One (will be held in trust until Transaction completes)*	Mid-late December 2016
General Meeting to approve Transaction	9 January 2017
Satisfaction/waiver of all conditions in Definitive Agreement including TSX listing approval *	Late January 2017
Completion of Transaction, including release of Financing proceeds to Harvest One and payment of purchase price to MMJ *	Early February 2017

\* These dates are indicative only and subject to change.

## 1.8 Summary of the Term Sheet

The material terms of the Term Sheet are as follows:

- (a) **(Consideration):** Harvest One will pay to the Company C\$42,000,000 by way of a combination of:
  - (i) cash consideration of C\$2,000,000;
  - (ii) 53,333,333 Harvest One Shares at a deemed Issue Price not less than C\$0.75 per Harvest One Share (on a post-Harvest One Consolidation basis); and
  - (iii) reimbursement for the funds spent on the Spin Out Companies business and operations between 1 October 2016 and the close of the Transaction (subject to a budget to be agreed between the Company and Harvest One).

- (b) **(Distribution of Harvest One Shares)**: Subject to tax and other considerations, the Company may seek to distribute the Harvest One Shares to the Company's Shareholders by way of dividend or capital return concurrent with completion of the Transaction, details of which will be agreed in a definitive agreement.
- (c) **(Conditions Precedent to Execution of Definitive Agreement)**: Prior to execution of a definitive agreement, the following conditions must be satisfied:
- (i) completion by the Company and Harvest One of due diligence investigations on each other;
  - (ii) approval of a definitive agreement by the boards of each of the Company and Harvest One;
  - (iii) no change in either Harvest One or the Spin Out Companies capital structure;
  - (iv) no material adverse change in affairs of any of the Company, Harvest One and the Spin Out Companies (the **Parties**) having occurred; and
  - (v) the officers, directors and principal shareholders of Harvest One entering into soft support agreements contemporaneously with execution of the Definitive Agreement, pursuant to which they agree to irrevocably support the Transaction.
- (d) **(Definitive Agreement)**: The Parties will enter into a definitive agreement which reflects the terms and conditions of the Terms Sheet in order to effect the Transaction (**Definitive Agreement**).
- (i) **(Terms)**: The Definitive Agreement will include terms customary for an agreement of such nature, as well as:
    - (A) details of an ongoing commercial relationship between Harvest One, the Spin Out Companies and MMJ, with a view to achieving an outcome that will be beneficial to their businesses into the future and, specifically, the ability for Phytotech Therapeutics (Israel subsidiary of the Company) to continue to have access to cannabis products required to complete its proposed clinical trials; and
    - (B) provision for the adoption of a director and employee share and option plan and the allocation of shares and options to the directors and employees of Harvest One (as at completion of the Transaction).
  - (ii) **(Conditions Precedent)**: The Transaction will be subject to the following conditions precedent:
    - (A) Harvest One completing a concurrent equity raising of not less than C\$15,000,000 (or such other amount as is agreed by the parties as sufficient to allow Harvest One to meet minimum TSX-V listing requirements) through the issue of Harvest One Shares at not less than C\$0.75 each (on a post Harvest One Consolidation basis (the **Financing**));
    - (B) the parties receiving all necessary regulatory, court and third party consents, orders, approvals, waivers and authorizations as may be required in respect of the Transaction including, without limitation, all applicable approvals of the TSX-V, ASX and relevant securities commissions, and all such consents and approvals to be on terms and conditions acceptable to both MMJ and Harvest One each acting reasonably;
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- (C) the marijuana cultivation license held by United Greeneries being in good standing at closing and there be no material adverse change to the license;
  - (D) subject to TSX-V approval, the board of directors of Harvest One on completion of the Transaction consisting of five directors, initially being four nominees of the Company (including Andreas Gedeon (CEO and Managing Director), Jason Bednar and Peter Wall and a fourth nominee to be nominated by MMJ), and one nominees of Harvest One;
  - (E) the senior executive officers of Harvest One on completion of the Transaction being the management of the Spin Out Companies, including Andreas Gedeon as CEO/Managing Director and Kwang Coo as Chief Executive Officer;
  - (F) Harvest One having working capital in the amount of approximately nil, exclusive of transaction costs and prior to giving effect to the Financing;
  - (G) the Spin Out Companies having working capital of not less than C\$1.00;
  - (H) Harvest One having completed a consolidation on a 1.197:1 ratio (**Harvest One Consolidation**);
  - (I) if required by MMJ, the change of the name of Harvest One to a name agreed between the Parties;
  - (J) resignations and releases from the applicable directors and officers of Harvest One having been received; and
  - (K) the closing date of the Transaction occurring prior to February 28 2017 (or such other date as agreed between the Company and Harvest One).
- (iii) (**Break Fees**): The Definitive Agreement will provide that the following fees be payable on termination:
- (A) In the event the Definitive Agreement is terminated by reason of breach by either Harvest One or the Company and a break-up fee is not otherwise payable, the breaching party will pay the other party for all expenses incurred up to \$200,000; and
  - (B) the Company must pay as additional 20% where:
    - (I) the Definitive Agreement is terminated by the Company by reason of the Company receiving a superior offer; or
    - (II) where the Company is in breach of the Definitive Agreement.
- (e) (**Exclusivity Period**): Neither party may negotiate, solicit or encourage alternative proposals prior to 30 November 2016.
- (f) (**Termination**): The Terms Sheet terminates on the earlier of either of the Company or Harvest One advising the other that the results of the due diligence investigations were not satisfactory, or on 30 November 2016.

The Terms Sheet otherwise contains other terms considered standard for an agreement of this nature.

The Directors confirm that it is the Company's intention that the Definitive Agreement will be entered prior to the date of the Meeting and the details will be announced to the ASX.

### 1.9 Value of the Company's interest in the Spin Out Companies

The value of the Company's shares in United Greeneries and Satipharm and their contribution to earnings of the Company are as follows:

	Financial year ended 30 June 2015 (\$A'000)	Half year to 31 December 2015 (\$A'000)	Financial year ended 30 June 2016 (\$A'000)
Net asset value of interest in United Greeneries and Satipharm	-	25,349	20,008
<i>Contribution to earnings:</i>			
Revenue	-	274	255
Expenses	-	989	2,255
Profit/(Loss) before tax	-	(715)	(2,000)

### 1.10 Impact on the Company

The impact of the Transaction on the Company's balance sheet is set out in the pro-forma balance sheet contained in Schedule 1.

The cash consideration payable to the Company under the Terms Sheet will be used by the Company as follows:

- (a) finance continued operations for Phytotech Therapeutics, including proposed clinical trials; and
- (b) general working capital and administration.

The Transaction will:

- (a) not have any impact on the capital structure of the Company;
- (b) not result in any changes to the Company's board of directors or senior management; and
- (c) not result in the Company needing to borrow funds or raise capital in the short term.

### 1.11 Advantages and Disadvantages of the Sale

#### Advantages

The Directors believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Transaction:

- (a) On completion of the Transaction, Shareholders will, through their shareholding in the Company, have an indirect ownership in a fully-financed, growth focussed cannabis company with two key operating brands in United Greeneries and Satipharm.
- (b) The aggregate sale price of the Spin Out Companies of C\$42,000,000 represents approximately 113% of the Company's current market capitalisation (undiluted and based on a Share price of A\$0.195).
- (c) The TSX-V listing of the Company's core cannabis subsidiaries will provide Shareholders with exposure to the rapidly expanding Canadian cannabis market and will fast track growth of the Spin Out Companies.

- (d) The principals behind Harvest One will provide access to extensive networks within the Canadian capital markets, having formerly been the principals of Potash One Inc., a vehicle which sold for C\$430 million in 2011. Further, a lead consultant and shareholder of Harvest One has significant experience in the Canadian cannabis sector, principally resulting from his involvement in originating the TSX-V listing and concurrent \$7.6M equity financing of one of the early companies licensed to produce medical marijuana pursuant to Canada's Marihuana for Medical Purposes Regulations ('MMPR') in September 2014.
- (e) The combination of United Greeneries and Satipharm brands in Harvest One (upon completion of the Transaction) for capturing the entire spectrum of the Canadian medical cannabis market is expected to create a competitive advantage over single brand competition and to leverage Satipharm's oral delivery assets into the recreational market.

#### Disadvantages

The Directors believe that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Transaction:

- (a) There is no guarantee that the shares in Harvest One will increase in value following its re-listing on TSX-V.
- (b) The Company will no longer retain a 100% interest in the Spin Out Companies.
- (c) Shareholders, through the interest held by the Company, will have a decreased exposure to any profits received by the Spin Out Companies.
- (d) This direction may not be consistent with the investment objectives of all Shareholders.
- (e) The Company will incur costs associated with the disposal including, but not limited to legal and advisory fees, incurred in preparation of documentation required to give effect to the Transaction and tax advice obtained in relation to any taxation consequence.
- (f) Assuming completion of the Transaction, there will be two separate companies that will require funding and will incur ongoing administrative costs which in some instances may lead to duplication.
- (g) A significant amount of time will be spent by the Board and by Company management in giving effect to the Transaction.

#### **1.12 Future activities and direction post-Transaction**

The proposed TSX-V listing of the Spin Out Companies is designed to allow for greater direct market value comparisons between the Company's world-class cannabis assets and existing TSX-V listed cannabis producers, while ensuring that the Company continues to benefit from the synergies of its vertically integrated business model, through the investment in the TSX-V listed company.

Following completion of the Transaction, the Company's main focus will be its Israel-based subsidiary, Phytotech Therapeutics.

PhytoTech Therapeutics, is responsible for the Company's R&D and clinical development activities. PhytoTech Therapeutics' key focus is on adopting and developing unique oral delivery technologies that have the potential to deliver safe, effective and measured doses of MC to patients.

Drug delivery technologies modify drug release profile, absorption, distribution and elimination for the benefit of improving product efficacy and safety, as well as patient convenience and compliance.

PhytoTech Therapeutics has implemented two exclusively licensed oral technologies in the development of its cannabis based prescription products, including:

1. PNL Technology: Pro-Nano Lipospheres for delivery of water insoluble substances with high bioavailability. The high bioavailability is obtained because the PNL based formulations spontaneously form miniature (diameter < 60 nm) drug-encapsulated micro-emulsion in the GI track. The formulation also enables dispersing the cannabinoid in water. The PNL technology was exclusively licensed from Yissum Research Development Company of the Hebrew University of Jerusalem Ltd in Israel, to develop cannabinoid based products for a variety of highly potential clinical indications on November 2014. The technology is backed by issued and pending patent.
2. Gelpell® Microgel pellets: Seamless gelatin pellets under 2mm packed in hard gastro-resistance capsule. The cannabinoids are bound and protected by three-dimensional natural gelatin matrix. This in-situ micro emulsion ensures accurate and consistent dosages and substantially enhance the bioavailability of the cannabinoids. The technology was licensed from Gelpell AG and is being utilised in PTL101 and PTL201 capsules, our two prescription drugs about to enter phase 2 clinical studies.

Following the Transaction, the Company will transition towards becoming a pure play pharmaceutical brand. Initially, this will involve completing the Phase II trial into the efficacy of its PTL101 capsules (based on the Gelpell technology) in treating intractable epilepsy in children.

The PTL101 capsules contain organically derived, highly purified CBD (cannabidiol) and are utilising proprietary formulation developed through the Company's Gelpell™ product technology.

The Phase 2 study is scheduled to commence in Q4 2016 and will be undertaken at a leading healthcare facility in Israel. This follows the highly successful Phase 1 study (announced 3 March 2016), which highlighted the safety and high performance of the Gelpell-CBD capsules. The capsules successfully demonstrated the effective delivery profile of CBD compound to trial subjects. Importantly, the Phase 1 study also highlighted the favourable bioavailability of the capsules in comparison to Sativex – a well-known, commercially available cannabinoid oral spray produced by GW Pharmaceuticals (LON: GWP) (NASDAQ: GWPH).

It is estimated that approximately 100,000 children in North America suffer from intractable epilepsy – a treatment resistant category of the disease, causing uncontrollable seizures.

To date, drug therapy remains ineffective in the treatment of epileptic seizures for approximately 30% of intractable epilepsy patients in North America alone, due to the drug failing to control the frequency of seizures or patients not being able to tolerate the related side effects. A number of currently available epilepsy drugs have been found to have significant side effects including the impairment of a patient's motor skills and cognitive abilities.

If successful, the Phase 2 clinical trial results will serve as a key catalyst towards the commercial development of the PTL101 prescription drug for the treatment of intractable epilepsy in children.

The Company is also in the final stages of preparing for the commencement of a Phase 2 clinical study into the ability of its PTL201 capsules to treat spasticity related symptoms associated with multiple sclerosis patients. Further information will be released to ASX once this trial is finalised.

The Company will actively seek joint venture and other collaboration opportunities for PhytoTech Therapeutics to integrate its pharmaceutical activities into a larger commercial context.

The Company may, in the future, seek to distribute the Harvest One Shares received as consideration for the Transaction to the Company's Shareholders by way of dividend or capital return.

The activities of Harvest One after completion of the Transaction will involve further commercialisation of the businesses of the Spin Out Companies (as described in Section 1.2 above).

### **1.13 Effect of the Transaction not being approved**

If the Resolutions 1 and 2 are not approved, the Transaction will not go ahead.

Failure to achieve completion of the Transaction may result in a reduced level of expenditure on the Spin Out Companies and their operations by the Company or future operations may occur on a delayed timetable.

Alternatively, the Company may seek to fund the development and operations of the Spin Out Companies by entering into other arrangements, including joint venture arrangements.

The Board has considered all alternatives currently available and believes that the Transaction is expected to result in the most advantageous result for existing Shareholders.

### **1.14 Director interests and recommendations and shareholder intentions**

The Directors do not have any material interest in the outcome of the Resolutions other than as a result of their interest arising solely in the capacity as Shareholders.

The Directors have a relevant interest (held directly and indirectly) in the securities of the Company as set out in the following table:

<b>Director</b>	<b>Shares</b>	<b>Options</b>
Peter Wall	4,100,000	Nil
Andreas Gedeon	6,563,914	Nil
Winton Willesee	Nil	1,000,000
Jason Bednar	1,026,522	1,500,000

The Board has approved the proposal to put Resolutions 1 and 2 to Shareholders.

Having regard to the advantages and disadvantages of the Transaction as detailed in Section 1.11, each of the Directors holding Shares intend to vote all of their Shares in favour of Resolutions 1 and 2.

Based on the information available, all of the Directors consider that the proposed Transaction is in the best interests of the Company and recommend that Shareholders vote in favour of Resolutions 1 and 2 in the absence of a superior proposal.

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## GLOSSARY

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**\$ or A\$** means Australian dollars.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**C\$** means Canadian dollars.

**Chair** means the chair of the Meeting.

**Company** means MMJ Phytotech Limited (ACN 601 236 417).

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Definitive Agreement** means the agreement to be entered into by the Company, the Spin Out Companies and Harvest One, pursuant to the Terms Sheet.

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Harvest One** means Harvest One Capital Inc.

**Harvest One Consolidation** means a consolidation of Harvest One Shares on a 1.197:1 ratio.

**Meeting** means the meeting convened by the Notice.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Ordinary Securities** has the meaning set out in the ASX Listing Rules.

**Phytotech Therapeutics** means the Company's wholly owned Israeli subsidiary, Phytotech Therapeutics Ltd.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Satipharm** means Satipharm AG, a wholly owned subsidiary of the Company.

**Section** means a section of the Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Spin Out Companies** means United Greeneries and Satipharm.

**Terms Sheet** means the binding terms sheet between the Company and Harvest One, pursuant to which Harvest One has agreed to purchase and the Company has agreed to sell 100% of the issued capital in the Spin Out Companies.

**Transaction** means the transaction contemplated by the Terms Sheet, to be implemented by the Definitive Agreement.

**United Greeneries** means United Greeneries Holdings Pty Ltd, a wholly owned subsidiary of the Company.

**WST** means Western Standard Time as observed in Perth, Western Australia.

## SCHEDULE 1 – PRO FORMA BALANCE SHEET

To illustrate the effect of the Transaction to dispose of the Spin Out Companies (being United Greeneries Holdings Pty Ltd (**United Greeneries**) and Satipharm AG (**Satipharm**)) as contemplated by Resolutions 1 and 2, a pro forma statement of financial position has been prepared based on the audited consolidated balance sheet of the Company at 30 June 2016 and the unaudited balance sheet of Harvest One Capital Inc. at 30 June 2016.

The pro-forma balance sheet shows the effect of the Transaction, being as if it had been made at 30 June 2016 based on the accounting principles whereby the Company's wholly owned subsidiary, PhytoTech Medical (UK) Pty Ltd disposes of 100% of its interests in United Greeneries and Satipharm, along with the following pro-forma adjustments;

- (a) the completion of a placement of \$4 million (before costs) by the Company on 14 October 2016;
- (b) the issue of 8,755,000 million Shares (being the deferred consideration shares payable to the vendors of MMJ Bioscience Inc upon the satisfaction of the first performance milestone under the terms of the Amalgamation Agreement between the Company and MMJ Bioscience Inc) at a deemed value of \$0.275 per Share;
- (c) Harvest One has a net working capital position of -\$4,694 (-CAD\$4,545) as at 30 June 2016, however in accordance with the terms of the Transaction which require Harvest One to have a net working capital position of no less than \$0, the net working capital position of Harvest One has been adjusted to \$0 in the Proforma Balance Sheet below;
- (d) Harvest One completes a capital raising of no less than \$15,560,166 (CAD\$15,000,000) (before costs);
- (e) The Company receives a cash payment of \$2,074,689 (CAD\$2,000,000) upon settlement of the Transaction; and
- (f) The Company holds a 70% controlling interest in Harvest One and there remains a 30% non-controlling interest in Harvest One held by third parties upon settlement of the Transaction.

The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	<b>MMJ PhytoTech Limited</b> 30-Jun-16 (Consolidated - Audited) \$'000	<b>Pro-Forma</b> 30-Jun-16 (Consolidated - Unaudited) \$'000
<b>Current Assets</b>		
Cash and cash equivalents	2,951	21,493
Trade and other receivables	398	398
Inventories	1,450	1,450
Loans to directors	104	104
<b>Total current assets</b>	<b>4,903</b>	<b>23,445</b>
<b>Non-Current Assets</b>		
Plant and equipment	6,575	6,575
Intangible assets	8,932	8,932
Goodwill	2,578	2,578
Loans to other entities	-	-
Other non-current assets	35	35
<b>Total non-current assets</b>	<b>18,120</b>	<b>18,120</b>
<b>Total assets</b>	<b>23,023</b>	<b>41,565</b>

	<b>MMJ PhytoTech Limited</b> 30-Jun-16 (Consolidated - Audited) \$'000	<b>Pro-Forma</b> 30-Jun-16 (Consolidated - Unaudited) \$'000
<b>Current liabilities</b>		
Trade and other payables	614	614
Borrowings	92	92
Contingent consideration	2,083	-
<b>Total current liabilities</b>	<b>2,789</b>	<b>706</b>
<b>Non-current liabilities</b>		
Borrowings	398	398
Contingent consideration	1,588	1,515
<b>Total non-current liabilities</b>	<b>1,986</b>	<b>1,913</b>
<b>Total liabilities</b>	<b>4,755</b>	<b>2,619</b>
<b>Net assets</b>	<b>18,248</b>	<b>38,946</b>
<b>Equity</b>		
Contributed equity	32,706	38,874
Reserves	5,123	11,134
Accumulated losses	(19,581)	(20,877)
<b>Capital and reserves attributable to owners of MMJ PhytoTech Ltd</b>	<b>18,248</b>	<b>29,131</b>
Non-controlling interest	-	9,815
<b>Total Equity</b>	<b>18,248</b>	<b>38,946</b>



## Option A – Please choose to vote online, because:

- ✓ **Save Your Money:** This company you own a part of has to spend thousands of dollars each year in print and postage costs. Online voting will reduce this unnecessary expense.
- ✓ **It's Quick and Secure:** Voting online provides you with greater privacy over your instructions, eliminates any postal delays and removes the risk of it being potentially lost in transit.
- ✓ **Receive Vote Confirmation:** Voting online is the only method which provides you with confirmation that your vote has been processed. It also allows you to amend your vote if required.



To Access online voting you can scan the barcode to the right with your tablet or mobile device or you can enter the following link into your browser:  
<https://investor.automic.com.au/#/loginsah>

## Option B – Appoint a proxy, by paper:

I/We being a Shareholder entitled to attend and vote at the General Meeting of the Company to be held at **11:00am AWST on 9 January 2017 at the Offices of BDO, 38 Station Street, Subiaco, WA 6008** hereby appoint as my/our proxy:

**THE CHAIRMAN OF THE MEETING**  
 (Tick this box to appoint the Chairman as your proxy)

**OR**

(Insert Name of Proxy)

**The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.**

Unless indicated otherwise by ticking the "for," "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

OR if you are not appointing the Chairman of the Meeting as your proxy, please write in the space above the name of the person or body corporate you are appointing as your proxy.

OR failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

STEP 1: APPOINT A PROXY

### RESOLUTIONS

For    Against    Abstain

1. Approval to Dispose of a Main Undertaking

        

2. Approval to Dispose of a Major Asset Without a Pro Rata Offer to Shareholders

        

*Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

STEP 2: VOTE

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Individual or Securityholder 1

Securityholder 2

Securityholder 3




Sole Director and Sole Company Secretary

Director

Director / Company Secretary

Contact Name..... Telephone..... Date / / 2016

To consent to receive all available Shareholder Communications by email (including Notice of Meetings, Proxy Forms and Annual Reports) please provide your email:

EMAIL ADDRESS \_\_\_\_\_

STEP 3: SIGN

## HOW TO COMPLETE THIS PROXY VOTING FORM

### LODGING YOUR PROXY VOTE

This Proxy Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (AWST) on 7 January 2017**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting Forms received after that time will not be valid for the scheduled Meeting.

Proxy Voting Forms can be lodged:

#### ONLINE

<https://investor.automic.com.au/#/loginsah>



Login to the Automic website using the holding details as shown on the Proxy Voting Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, shareholders will need their Holder Number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on front of the Proxy Voting form.

#### BY MAIL

Automic Registry Services  
PO Box 2226  
Strawberry Hills NSW 2012

#### BY HAND

Automic Registry Services  
Level 3, 50 Holt Street, Surry Hills NSW 2010

#### ALL ENQUIRIES TO

Telephone: 1300 288 664 Overseas: + 61 2 9698 5414

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home>. Shareholders sponsored by a broker should advise their broker of any changes.

### VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

### DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services on 1300 288 664 or you may copy this form.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

**Individual:** Where the holding is in one name, the Shareholder must sign.

**Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.

**Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided. **By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

### ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.