1. Company details

Name of entity:	MMJ Phytotech Limited
ABN:	91 601 236 417
Reporting period:	For the year ended 30 June 2017
Previous period:	For the year ended 30 June 2016

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	down	70.2%	to	76
Loss from ordinary activities after tax attributable to the owners of MMJ Phytotech Limited	down	28.5%	to	(10,509)
Loss for the year attributable to the owners of MMJ Phytotech Limited	down	28.5%	to	(10,509)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $10,509,000 (30 June 2016: $14,699,000).

Financial Performance

On 27 April 2017, the Company acquired 60% of Harvest One Cannabis Inc. (formerly Harvest One Capital Inc.) (“Harvest One”) through a reverse take-over (“RTO”) whereby, through its wholly owned subsidiary PhytoTechMedical (UK) Pty Ltd. (“Phyto UK”), the Company sold 100% of the issued and outstanding shares of United Greeneries Holdings Ltd. (UG”) and Satipharm AG (“Satipharm”) (the “Purchased Shares”) pursuant to a share exchange agreement. Concurrently with the RTO, Harvest One completed a CAD$25,000,000 financing which accounts for the majority of the 40% non-controlling interest in the Company.

In consideration for the Purchased Shares, Phyto UK issued 41,574,662 common shares of Harvest One at $0.75 per share and $2,000,000 in cash, for a total value of the transaction of $33,181,000. Further, in consideration for the assumption by Harvest One of certain intercorporate debts of UG and Satipharm of $8,819,000 owed to the Company, 11,758,671 common shares were issued by Harvest One to the Company.

As part of the transaction, there was an increase in one off expenditure items in the statement of profit and loss and other comprehensive income such as listing fee expense amounting to $1,731,000 and an increase in both compliance and regulatory expenses and administrative expenses. Revenue from ordinary activities decreased during the financial year by $179,000.

Financial Position

The net assets of the consolidated entity increased during the financial year following the completion of the listing on the Toronto Stock Exchange of Harvest One Cannabis and capital raising of CAD$25 million. The consolidated entity retained a 60% interest in Harvest One Cannabis. The net assets increased by $24,290,000 to $42,538,000 (2016: $18,248,000).

Cash holdings for the consolidated entity have increased by $20,913,000 to $23,864,000 (2016: $2,951,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	15.98	4.98

4. Control gained over entities

Name of entities (or group of entities)	Harvest One Cannabis Inc. (Formerly Harvest One Capital Inc)	
Date control gained	27 April 2017	
		$'000
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)		(7,759)
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)		-

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

All foreign companies prepare their financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The preliminary financial report and accompanying notes for MMJ PhytoTech Limited have not been audited.

The audited financial report is scheduled for release in September 2017.

11. Attachments

Details of attachments (if any):

The Preliminary financial report of MMJ Phytotech Limited for the year ended 30 June 2017 is attached.

12. Signed

Signed ______________________ Date: 31 August 2017

Peter Wall
Non-executive chairman

MMJ Phytotech Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Revenue			
Sales Revenue	6	76	255
Cost of sales		(173)	(331)
		(97)	(76)
Interest received		46	37
Gain/(Loss) on contingent deferred consideration shares		(729)	812
Expenses			
Employee and director related expenses		(1,468)	(2,070)
Depreciation and amortisation expense		(1,101)	(68)
Finance costs		(82)	(56)
Marketing and investor relations		(638)	(429)
Impairment of Investment in Other Entities		-	(209)
Acquisition introduction fee expense		-	(620)
Administration expenses		(2,187)	(1,326)
Consultancy and legal expenses		(1,296)	(713)
Research and development expense		(518)	(503)
Compliance and regulatory expenses		(232)	(335)
Equity based payments expense		(1,689)	(1,224)
Net foreign exchange loss		(545)	(19)
Impairment of Intangible assets		-	(7,876)
Selling and distribution expenses		-	(24)
Listing fee expenses		(1,731)	-
Loss before income tax expense		(12,267)	(14,699)
Income tax expense		-	-
Loss after income tax expense for the year		(12,267)	(14,699)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		357	222
Other comprehensive income for the year, net of tax		357	222
Total comprehensive loss for the year		(11,910)	(14,477)
Loss for the year is attributable to:			
Non-controlling interest		(1,758)	-
Owners of MMJ Phytotech Limited	13	(10,509)	(14,699)
		(12,267)	(14,699)
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		(1,758)	-
Owners of MMJ Phytotech Limited		(10,152)	(14,477)
		(11,910)	(14,477)
		Cents	**Cents**
Basic earnings per share		(5.54)	(10.67)
Diluted earnings per share		(5.54)	(10.67)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

MMJ Phytotech Limited
Statement of financial position
As at 30 June 2017

	Note	Consolidated 2017 $'000	Restated 2016 $'000
Assets			
Current assets			
Cash and cash equivalents		23,864	2,951
Trade and other receivables		357	398
Inventories	7	1,906	1,450
Biological assets	8	81	-
Loan to Directors		-	104
Total current assets		26,208	4,903
Non-current assets			
Property, plant and equipment		8,252	6,575
Intangibles	9	8,661	8,932
Goodwill	10	4,735	4,822
Other		50	35
Total non-current assets		21,698	20,364
Total assets		47,906	25,267
Liabilities			
Current liabilities			
Trade and other payables		1,132	614
Borrowings		-	92
Deferred consideration		-	2,083
Total current liabilities		1,132	2,789
Non-current liabilities			
Borrowings		-	398
Deferred tax		2,244	2,244
Contingent consideration		1,992	1,588
Total non-current liabilities		4,236	4,230
Total liabilities		5,368	7,019
Net assets		42,538	18,248
Equity			
Issued capital	11	44,954	32,706
Reserves	12	15,517	5,123
Accumulated losses	13	(30,090)	(19,581)
Equity attributable to the owners of MMJ Phytotech Limited		30,381	18,248
Non-controlling interest	14	12,157	-
Total equity		42,538	18,248

Refer to note 4 for detailed information on Restatement of comparatives.

MMJ Phytotech Limited
Statement of changes in equity
For the year ended 30 June 2017

Consolidated	Contributed equity $'000	Other reserves $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2015	5,828	2,628	20	(4,882)	3,594
Loss after income tax expense for the year	-	-	-	(14,699)	(14,699)
Other comprehensive income for the year, net of tax	-	-	222	-	222
Total comprehensive income for the year	-	-	222	(14,699)	(14,477)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 11)	26,878	-	-	-	26,878
Share-based payments	-	2,253	-	-	2,253
Balance at 30 June 2016	32,706	4,881	242	(19,581)	18,248

Refer to note 4 for detailed information on Restatement of comparatives.

Consolidated	Contributed equity $'000	Other reserves $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2016	32,706	4,881	242	(19,581)	-	18,248
Loss after income tax expense for the year	-	-	-	(10,509)	(1,758)	(12,267)
Other comprehensive income for the year, net of tax	-	-	357	-	-	357
Total comprehensive income for the year	-	-	357	(10,509)	(1,758)	(11,910)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 11)	12,248	-	-	-	-	12,248
Share-based payments	-	1,689	-	-	-	1,689
Revaluation of performance rights	-	(1,301)	-	-	-	(1,301)
Acquired through Harvest One	-	1,309	-	-	-	1,309
Non-controlling interest on partial disposal	-	-	-	-	13,915	13,915
Net gain on Harvest One transaction	-	8,340	-	-	-	8,340
Balance at 30 June 2017	44,954	14,918	599	(30,090)	12,157	42,538

The above statement of changes in equity should be read in conjunction with the accompanying notes

MMJ Phytotech Limited
Statement of cash flows
For the year ended 30 June 2017

	Note	Consolidated 2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		35	255
Interest received		47	37
Payments to suppliers and employees (inclusive of GST)		(6,561)	(6,705)
Payments to research expenses		-	(481)
Payments to patent expenses		-	(22)
Interest paid		(82)	(56)
Net cash used in operating activities		(6,561)	(6,972)
Cash flows from investing activities			
Payments for property, plant and equipment		(3,297)	(2,995)
Loan to Director		-	(104)
Cash acquired from business combination		-	31
Debenture paid/received		-	288
Investment in Other entities		-	(209)
Net cash used in investing activities		(3,297)	(2,989)
Cash flows from financing activities			
Proceeds from issue of shares	11	4,000	11,800
Costs in relation to share issue		(259)	(704)
Proceeds received on exercise of options and warrants		5,796	-
Transactions with non-controlling interests		21,724	-
Repayment of borrowings		(490)	(94)
Net cash from financing activities		30,771	11,002
Net increase in cash and cash equivalents		20,913	1,041
Cash and cash equivalents at the beginning of the financial year		2,951	1,910
Cash and cash equivalents at the end of the financial year		23,864	2,951

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The preliminary financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, International Financial Reporting Standards as issued by the International Accounting Standards Board and Corporations Act 2001. The preliminary financial report covers MMJ Phytotech Limited as a consolidated entity consisting of MMJ Phytotech Limited and the entities it controlled at the end of, or during, the year, including Harvest One Cannabis Inc. (note 15). The financial statements are presented in Australian dollars, which is MMJ Phytotech Limited's functional and presentation currency.

This financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2016, the 2016 Annual Financial Statements and any public announcements made by MMJ Phytotech Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2017.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Biological assets
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, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

Note 4. Restatement of comparatives

Change in accounting policy
In November 2016, the IFRS Interpretations Committee clarified, for the purpose of calculating deferred tax, how an entity should determine the expected manner of recovery of an intangible asset that has an indefinite useful life. During the financial year, the consolidated entity reassessed the estimated useful life of the Duncan facility and determined that the Duncan facility license had an indefinite useful life. As such, the Company voluntarily changed its accounting policy for its deferred tax on intangibles. It has been determined that this change in accounting policy enhances the reliability of the financial statements as it reduces the diversity between it and other entities that account for this deferred tax liability (DTL). This change in accounting policy has been applied retrospectively.

The Company's accounting policy for this is as follows:

The deferred tax on an intangible asset with an indefinite life is calculated based on how the entity expects to recover the asset, i.e. either through use or through sale. The Company has taken up this adjustment to reflect this in the 2016 financial year figures in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors* and business combination accounting.

AASB - 108 Accounting Policies, Changes in Accounting Estimates and Errors

This Standard shall be applied in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors.

An entity shall change an accounting policy only if the change:

(a) is required by an Australian Accounting Standard; or AASB 108-compiled 14 Standard
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

Statement of profit or loss and other comprehensive income
When there is a restatement of comparatives, it is mandatory to provide a statement of profit or loss and other comprehensive income for the year ended 30 June 2016. However, as there were no adjustments made, the consolidated entity has elected not to show the statement of profit or loss and other comprehensive income.

Statement of financial position at the beginning of the earliest comparative period
When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2015. However, as there were no adjustments made as at 1 July 2015, the consolidated entity has elected not to show the 1 July 2015 statement of financial position. The result of adopting this accounting policy is noted in the following statement of financial position with an adjustment for the deferred tax liability amounting to $2,244,000 being recognised and an increase in the carrying amount of goodwill of the same amount.

Note 4. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

	Consolidated		
	2016 $'000 Reported	$'000 Adjustment	2016 $'000 2016 - Restated
Assets			
Current assets			
Cash and cash equivalents	2,951	-	2,951
Trade and other receivables	398	-	398
Inventories	1,450	-	1,450
Loan to Directors	104	-	104
Total current assets	4,903	-	4,903
Non-current assets			
Property, plant and equipment	6,575	-	6,575
Intangibles	8,932	-	8,932
Goodwill	2,578	2,244	4,822
Other	35	-	35
Total non-current assets	18,120	2,244	20,364
Total assets	23,023	2,244	25,267
Liabilities			
Current liabilities			
Trade and other payables	614	-	614
Borrowings	92	-	92
Deferred consideration	2,083	-	2,083
Total current liabilities	2,789	-	2,789
Non-current liabilities			
Borrowings	398	-	398
Deferred tax	-	2,244	2,244
Contingent consideration	1,588	-	1,588
Total non-current liabilities	1,986	2,244	4,230
Total liabilities	4,775	2,244	7,019
Net assets	18,248	-	18,248
Equity			
Issued capital	32,706	-	32,706
Reserves	5,123	-	5,123
Accumulated losses	(19,581)	-	(19,581)
Total equity	18,248	-	18,248

Note 5. Operating segments

During the year ending 30 June 2017, the consolidated entity was organised into five operating segments: cultivation, processing and distribution, clinical development, corporate and other segments.

Note 5. Operating segments (continued)

Segment Information

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

The information reported to the CODM is on a monthly basis.

Types of reportable segments:

(i) Cultivation

Segment activities include the legal cultivation and distribution of cannabis under a federally regulated MMPR license issued by Health Canada. Segment assets include cash, cannabis inventories, property, plant and equipment, infrastructure, intangible assets (licenses and permits) and other capital expenditure relating to the entity's two cannabis cultivation facilities in Canada.

(ii) Processing and distribution

Segment activities include the processing, manufacturing and distribution of cannabis-based food supplement products throughout Europe. Segment assets include cash, inventories, and key agreements with international partnerships for the production and distribution of its cannabinoid-based products.

(iii) Clinical development

Segment activities include research and clinical development of delivery systems and devices that have the potential to deliver safe, effective and measured doses of medical cannabis to patients. All research and development activities conducted in Israel are reported on in this segment. Segment assets include intellectual property, and capitalised research and development expenditure.

Basis of accounting for purposes of reporting by operating segment
Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors as the chief 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 the Company.

Segment assets
Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities
Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables.

Note 5. Operating segments (continued)

Operating segment information

Consolidated - 2017	Cultivation $'000	Processing and distribution $'000	Clinical Development $'000	Corporate $'000	Other segments $'000	Total $'000
Revenue						
Sales to external customers	-	76	-	-	-	76
Cost of sales		(173)	-	-	-	(173)
Research expenses	-	-	(519)	-	-	(519)
Advisor and consultants	(81)	(303)	-	(260)	-	(644)
Legal fees	(89)	(7)	(64)	(491)	-	(651)
Employee costs	(526)	12	(668)	(287)	-	(1,469)
Equity based payments	(49)	(391)	(114)	(242)	-	(796)
Listing fee expense					(2,624)	(2,624)
Other expenses	(1,271)	(331)	(126)	(1,327)	-	(3,055)
EBITDA	(2,016)	(1,117)	(1,491)	(2,607)	(2,624)	(9,855)
Depreciation and amortisation	(1,084)	-	(4)	(14)	-	(1,012)
Interest revenue	7	-	-	40	-	47
Finance costs	(72)	(1)	(1)	(8)	-	(82)
Net loss on foreign exchange	-	(69)	13	(489)	-	(545)
Loss on contingent deferred consideration	-	-	-	-	(729)	(729)
Loss before income tax expense	(3,165)	(1,187)	(1,483)	(3,078)	(3,353)	(12,267)
Income tax expense						-
Loss after income tax expense						(12,267)
As at 30 June 2017						
Total assets	**23,035**	**1,500**	**375**	**22,996**	**-**	**47,906**
Total liabilities	**646**	**86**	**154**	**4,482**	**-**	**5,368**

Note 5. Operating segments (continued)

Consolidated - 2016	Cultivation $'000	Processing and distribution $'000	Clinical Development $'000	Corporate $'000	Other segments $'000	Total $'000
Revenue						
Sales to external customers	-	255	-	-	-	255
Cost of sales		(331)	-	-	-	(331)
Research expenses	-	-	(503)	-	-	(503)
Advisor and consultants	(63)	(101)	-	(404)	-	(568)
Legal fees	-	(28)	(38)	(80)	-	(146)
Employee costs	(751)	(71)	(639)	(609)	-	(2,070)
Equity based payments	(171)	-	(353)	(700)	-	(1,224)
Other expenses	(582)	(157)	(122)	(1,872)	-	(2,733)
EBITDA	(1,567)	(433)	(1,655)	(3,665)	-	(7,320)
Depreciation and amortisation						(68)
Interest revenue						37
Finance costs						(56)
Net loss on foreign exchange						(19)
Gain on contingent deferred consideration						812
Impairment of investment in other entities						(209)
Impairment of intangible assets						(7,876)
Loss before income tax expense						(14,699)
Income tax expense						-
Loss after income tax expense						(14,699)
As at 30 June 2016						
Total assets	**16,806**	**3,982**	**677**	**1,558**	**-**	**23,023**
Total liabilities	**618**	**162**	**115**	**3,913**	**-**	**4,808**

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 6. Revenue and Other Income

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Revenue from continuing operations		
Sales revenue - CBD Gelpell pills	76	255

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

All revenue stated is net of goods and services tax (“GST”).

Note 7. Current assets - Inventories

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Raw materials	-	435
Finished goods inventory	1,906	1,015
	1,906	1,450

Inventories consist of dry cannabis, Gelpell CBD capsules, and supplies and consumables for use in the production of inventories and the transformation of biological assets.

Accounting policy for inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a weighted average basis. Cost comprises direct materials and delivery costs, direct labour and import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 8. Current assets - Biological assets

The Company’s biological assets consist of seeds and medical cannabis plants. The continuity of biological assets for the years ended 30 June 2017 and 2016 are as follows:

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Biological asset - seeds and medical cannabis plants	81	-

Note 8. Current assets - Biological assets (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Total $'000
Balance at 1 July 2015	-
Balance at 30 June 2016	-
Purchase (use) of seeds	21
Changes in fair value less costs to sell due to biological transformation	642
Transferred to inventory upon harvest	(582)
Balance at 30 June 2017	81

As at 30 June 2017, included in the carrying amount of biological assets was $21,000 in seeds and $60,000 in live plants ($Nil in seeds and $Nil in live plants at 30 June 2016).

The significant assumptions used in determining the fair value of medical cannabis plants are as follows:

- wastage of plants based on their various stages;
- yield by strain of plant;
- percentage of costs incurred to date compared to the total costs to be incurred are used to estimate the fair value of an in-process plant; and
- percentage of costs incurred for each stage of plant growth was estimated.

On average, the growth cycle is 15 weeks. All of the plants are to be harvested as agricultural produce (i.e. medical cannabis) and as at 30 June 2017, on average, were 37% complete (2016 - Nil%)

The Company estimates the harvest yield for the plants at various stages of growth. As at 30 June 2017, it is expected that the Company's biological assets will yield approximately 92,510 Kg compared to Nil kg at 30 June 2016. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets.

Accounting policy for biological assets
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, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

Note 9. Non-current assets - intangibles

	Consolidated	
	2017 $'000	2016 $'000
Website - at cost	32	-
Less: Accumulated amortisation	(1)	-
	31	-
Other intangible assets - Duncan facility license	8,630	8,932
	8,661	8,932

The other intangible relates to the Duncan Facility License in respect of United Greeneries Holdings Ltd and had been included within the assets of the cultivation segment. Goodwill of $2,240,000 and $322,000 have been included within the assets of the Processing & Distribution and Cultivation segments respectively.

Accounting policy for intangible assets
Other intangible assets that are acquired by the Group and have finite useful lives are measured at costs less accumulated amortisation and accumulated impairment losses.

Other intangible assets are amortised on a straight line basis the profit or loss over their estimated useful lives, from the date that they are available for use. As the other intangible asset is a License and albeit that the License may need to be renewed periodically, it is expected that the License will effectively have an indefinite life.

Website
Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 10. Non-current assets - Goodwill

	Consolidated	
	2017 $'000	2016 $'000
Goodwill - at cost	4,822	12,689
Exchange Difference	(87)	9
Less: Impairment	-	(7,876)
	4,735	4,822

Note 10. Non-current assets - Goodwill (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	United Greeneries Holdings Ltd $'000	Satipharm AG $'000	Total $'000
Balance at 1 July 2015	-	-	-
Additions through business combinations	313	10,132	10,445
Deferred tax liability adjustment (note 4)	2,244	-	2,244
Exchange differences	9	-	9
Impairment of assets	-	(7,876)	(7,876)
Balance at 30 June 2016	2,566	2,256	4,822
Exchange differences	-	(87)	(87)
Balance at 30 June 2017	2,566	2,169	4,735

In accordance with the Company's adopted accounting policies, the carrying amounts of intangible assets held by the Group at 30 June 2017 and 2016 were tested for impairment and independent valuations were undertaken in respect of the United Greeneries and Satipharm divisions.

The carrying amount of Satipharm AG was supported by an independent valuation of that business for 30 June 2017 and as such, no impairment was recognized in respect of these assets.

As at 30, June 2016, due to a reduction in Satipharm's pill sales forecasts as a result of the lower than anticipated revenues generated by that business to date, the Group recorded an impairment to goodwill recognised in respect of Satipharm of $7,876,371.

The carrying amount of the Duncan Facility license and the goodwill recognised in respect of United Greeneries was supported by an independent valuation of that business and as such, no impairment was recognised in respect of these assets as at 30 June 2017 and 2016.

The recoverable amount of each cash-generating unit is based on its value in use using a discounted cash flow method and calculated using an estimated growth rate. The cash flows are discounted using a pre-tax weighted average cost of capital, calculated for each segment.

The calculations use cashflow projections of projected EBITDA based on financial budgets approved by management covering a five year period, and extrapolated beyond five years using the growth rates stated below. The longer term growth rates are based on future growth rate of the economy including inflation.

Note 11. Equity - issued capital

	Consolidated			
	2017 Shares	**2016 Shares**	**2017 $'000**	**2016 $'000**
Ordinary shares - fully paid	208,932,100	161,926,147	44,954	32,706

Note 11. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2015	44,662,050		5,828
Acquisition consideration shares	27 Jul 2015	51,000,000	$0.320	16,320
Acquisition introducers fee shares	27 Jul 2015	1,530,000	$0.320	490
Conversion of performance rights	27 Jul 2015	12,083,332	$0.000	510
Placement	5 Aug 2015	16,000,000	$0.300	4,800
Capital Raising Fee	5 Aug 2015	313,333	$0.300	94
Conversion of performance rights	21 Aug 2015	3,750,000	$0.000	71
Conversion of performance rights	9 Sep 2015	5,000,000	$0.000	95
Placement	23 Oct 2015	6,557,377	$0.305	2,000
Capital Raising Fees	23 Oct 2015	196,722	$0.305	60
Placement	1 Mar 2016	16,150,000	$0.240	3,876
Placement	4 Mar 2016	4,683,333	$0.240	1,124
Share issue expenses (cash)		-	$0.000	(704)
Share issue expenses (non-cash) (Note 25)		-	$0.000	(1,858)
Balance	30 June 2016	161,926,147		32,706
Issue of 1st milestone deferred payment for the acquistion of MMJ Bioscience Inc.	8 July 2016	8,500,000	$0.275	2,338
Merger introducer fee shares	8 July 2016	255,000	$0.275	70
Conversion of Class D performance rights	8 July 2016	1,000,000	$0.300	300
Placement	11 October 2016	19,512,196	$0.205	4,000
Conversion of Class A performance rights	30 December 2016	83,334	$0.000	3
Conversion of Class B performance rights	30 December 2016	83,334	$0.000	-
Exercise of Options	15 March 2017	2,250,000	$0.360	810
Exercise of Options	15 March 2017	112,500	$0.270	30
Exercise of Options	15 March 2017	500,000	$0.240	120
Exercise of Options	22 March 2017	724,590	$0.450	326
Exercise of Options	22 March 2017	1,700,000	$0.360	612
Exercise of Options	29 March 2017	550,000	$0.360	198
Exercise of Options	29 March 2017	2,500,000	$0.200	500
Exercise of Options	29 March 2017	150,000	$0.400	60
Exercise of Options	29 March 2017	1,070,000	$0.450	482
Exercise of Options	5 April 2017	183,333	$0.400	73
Exercise of Options	5 April 2017	655,000	$0.450	295
Exercise of Options	5 April 2017	2,537,500	$0.360	914
Exercise of Options	5 April 2017	500,000	$0.240	120
Exercise of Options	3 May 2017	2,341,666	$0.360	843
Exercise of Options	3 May 2017	197,500	$0.270	53
Exercise of Options	09-Jun-17	600,000	$0.200	120
Exercise of Options	09-Jun-17	1,000,000	$0.240	240
Capital raising costs	14 October 2016	-	$0.000	(259)
Balance	30 June 2017	208,932,100		44,954

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 11. Equity - issued capital (continued)

Preference shares
Preference shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held, with priority over ordinary shareholders.

Preference shares do not have any voting rights.

Share buy-back
There is no current on-market share buy-back.

Note 12. Equity - reserves

	Consolidated	
	2017 $'000	2016 $'000
Foreign currency reserve	599	243
Other reserves	10,543	-
Options reserve	4,375	3,579
Performance rights reserve	-	1,301
	15,517	5,123

Note 13. Equity - accumulated losses

	Consolidated	
	2017 $'000	2016 $'000
Accumulated losses at the beginning of the financial year	(19,581)	(4,882)
Loss after income tax expense for the year	(10,509)	(14,699)
Accumulated losses at the end of the financial year	(30,090)	(19,581)

Note 14. Equity - non-controlling interest

On 27 April 2017, the Company acquired 60% of Harvest One Cannabis Inc. (formerly Harvest One Capital Inc.) (“Harvest One”) through a reverse take-over (“RTO”) whereby, through its wholly owned subsidiary PhytoTechMedical (UK) Pty Ltd. (“Phyto UK”), the Company sold 100% of the issued and outstanding shares of United Greeneries Holdings Ltd. (UG”) and Satipharm AG (“Satipharm”) (the “Purchased Shares”) pursuant to a share exchange agreement. Concurrently with the RTO, Harvest One completed a CAD$25,000,000 financing which accounts for the majority of the 40% non-controlling interest in the Company.

In consideration for the Purchased Shares, Phyto UK issued 41,574,662 common shares of Harvest One at $0.75 per share and $2,000,000 in cash, for a total value of the transaction of $33,181,000. Further, in consideration for the assumption by Harvest One of certain intercorporate debts of UG and Satipharm of $8,819,000 owed to the Company, 11,758,671 common shares were issued by Harvest One to the Company.

Note 15. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2017 %**	**2016 %**
PhytoTech Medical (UK) Ltd	United Kingdom	100.00%	100.00%
PhytoTech Therapeutics Ltd	Israel	100.00%	100.00%
Harvest One Cannabis Inc.	Canada	60.00%	-
United Greeneries Holdings Ltd	Canada	60.00%	100.00%
United Greeneries Ltd.	Canada	60.00%	100.00%
United Greeneries Operations Ltd	Canada	60.00%	100.00%
United Greeneries Saskatchewan Ltd	Canada	-	100.00%
Duncan Bioscence International Inc	Canada	-	100.00%
Satipharm Canada Limited	Canada	-	100.00%
Satipharm AG	Switzerland	60.00%	100.00%
Satipharm Australia Pty Ltd	Australia	60.00%	100.00%

Note 16. Events after the reporting period

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.