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ASX RELEASE

29 August 2018

Notice of Meeting

MMJ PhytoTech Limited (ASX: MMJ) ("MMJ") is pleased to confirm that the attached Notice of Meeting relating to the General Meeting of MMJ to be held in Sydney on Friday, 28 September 2018, is being dispatched to shareholders today.

The main business to be considered at the General Meeting is to approve the sale by MMJ of PhytoTech Therapeutics Limited to Harvest One Cannabis Inc. (TSX-V:HVT).

The Notice of Meeting is also available on MMJ's website: mmjphytotech.com.au

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Investor Enquiries
Jim Hallam
Chief Financial Officer and Company Secretary
info@mmjphytotech.com.au

About MMJ
MMJ is a global cannabis investment company. MMJ owns a portfolio of minority investments and aims to invest across the full range of emerging cannabis-related sectors including healthcare, technology, infrastructure, logistics, processing, cultivation, equipment and retail. For MMJ's latest investor presentation and news, please visit: https://www.mmjphytotech.com.au/investors/

MMJ PHYTOTECH LIMITED

ACN 601 236 417

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 2:00pm (AEST)

DATE: Friday, 28 September 2018

PLACE: The Westin Sydney
1 Martin Place
Sydney, NSW 2000
Australia

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.

INDEPENDENT EXPERT'S REPORT: Shareholders should carefully consider the Independent Expert's Report prepared by RSM Corporate Australia Pty Ltd as required by ASX Listing Rule 10.10.2 for the purposes of the Shareholder approval being sought under Resolution 1. The Independent Expert's Report comments on the fairness and reasonableness of the Disposal the subject of Resolution 1 to the non-associated Shareholders and concludes it is fair and reasonable to the non-associated Shareholders.

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 2:00pm (AEST) on 26 September 2018.

ASX takes no responsibility for the contents of this Notice of Meeting.

The Directors, other than Peter Wall who due to his interest as a director of HVT refrains from making a recommendation, recommend that Shareholders vote in favour of both Resolution 1 and Resolution 2 and consider the Disposal to be beneficial to Shareholders because of the advantages set out in Section 1.15 when compared with the disadvantages in Section 1.16.

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BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL OF THE DISPOSAL

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

> *"That, subject to and conditional upon Resolution 2 being passed, for the purposes of ASX Listing Rule 10.1 and for all other purposes, Shareholders approve the Disposal and otherwise on the terms and conditions set out in the Explanatory Statement."*

Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by RSM Corporate Australia Pty Ltd for the purposes of the Shareholder approval required under ASX Listing Rule 10.1 which comments on the fairness and reasonableness of the Disposal to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a party to the Disposal or an associate of that person (or those persons). 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.

2. RESOLUTION 2 – CHANGE TO NATURE OF ACTIVITIES

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

> *"That, subject to and conditional upon Resolution 1 being passed, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature of its activities as described in the Explanatory Statement accompanying this Notice."*

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed or any associates of those persons. 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.

3. RESOLUTION 3 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

> *"That, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to "**MMJ Group Holdings Limited**."*

4. RESOLUTION 4 – ISSUE OF DIRECTOR INCENTIVE OPTIONS TO DIRECTOR – DOUGLAS HALLEY

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 10.14 and for all other purposes, approval is given for the Company to issue 1,000,000 Options to Douglas Halley (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of any director who is eligible to participate in the employee incentive scheme (or their nominees) or 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.

Voting Prohibition Statement:
A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or

(b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

(a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or

(b) the voter is the Chair and the appointment of the Chair as proxy:

   (i) does not specify the way the proxy is to vote on this Resolution; and

   (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Dated: 24 August 2018

By order of the Board

Peter Wall
Non-Executive Chairman

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and 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 changes to the Corporations Act made in 2011 mean 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 2 8098 0817.

EXPLANATORY STATEMENT

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.

The Company specifically notes, ASX have advised that ASX Listing Rule 11.1.2 applies to the Disposal (defined below), accordingly, the Company may not proceed with the Disposal should the Shareholder approval under Resolution 1 is not obtained. Additionally, the Company is required to re-comply with ASX's requirements for admission and quotation and the Disposal may not proceed if those requirements are not met. The ASX has absolute discretion in deciding whether or not to re-admit the Company to the official list of the ASX and allow the quotation of the Company's securities. Therefore, the Disposal may not proceed if ASX exercises that discretion. Investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.

1. OVERVIEW OF THE PROPOSED DISPOSAL AND TRANSITION TO AN INVESTMENT ENTITY

1.1 General

As announced on 25 June 2018, the Company has entered into a binding share sale agreement (**SSA**) pursuant to which it has conditionally agreed to sell its wholly-owned subsidiary PhytoTech Therapeutics Ltd (**PTL**) to Harvest One Cannabis Inc. (TSXV:HVT) (**HVT**) for a total consideration of CAD$8 million (**Disposal**).

The Disposal will be conditional upon (amongst other things) MMJ seeking all necessary shareholder and regulatory approvals required to undertake the Disposal.

ASX has advised that it considers that the Disposal will result in MMJ and the business which remains becoming an Investment Entity (defined below) and will therefore amount to a significant change in the nature of the Company's current activities. As such, MMJ is required to obtain approval from its Shareholders pursuant to ASX Listing Rule 11.1.2 and to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

In the event the Company **does not** obtain shareholder approval for the Disposal and the re-compliance conditions in Chapters 1 and 2 of the ASX Listing Rules are not met, the Disposal will not proceed and the Company will continue to own, control and operate PTL along with managing its existing investments.

1.2 Background on MMJ and Current Activities

MMJ was incorporated on 14 August 2014, admitted to the official list of the ASX on 20 January 2015 and its securities were quoted on 22 January 2015.

Since listing until late last year, MMJ's strategy had focused on establishing a vertically integrated "Farm to Pharma" business model, building operations across all parts of the cannabis supply chain, including growing operations, development of cannabinoids-based drug-products, production and commercialisation of medical cannabis products and distribution in regulated markets worldwide.

On 10 October 2017, MMJ first announced its intention to begin shifting its operational focus toward that of a global cannabis investment company, targeting the full range of emerging cannabis-related sectors including healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment, research & development, hemp food products and retail.

As at the date of this Notice, MMJ's existing investments are as follows:

(a) (**PhytoTech Therapeutics Ltd or PTL**): (100%-owned by MMJ), the subject of the Disposal – company focused on developing and commercialising cannabis-based therapeutics products (using unique oral delivery technologies under licenses that have the potential to deliver safe, effective and measured doses of cannabis derived ingredients to patients) and in conducting research & development and clinical development activities;

(b) (**Harvest One Cannabis Inc.**) (TSXV:HVT): (MMJ owns 53.33 million shares, 30.7% shareholding; 24.8% shareholding fully-diluted, before the issuance of shares to MMJ proposed as part of the Disposal, if all outstanding warrants and options are converted into shares) – Canadian cannabis cultivation and products company;

(c) (**Weed Me Inc.**): (MMJ owns a CAD$2 million secured note convertible into 3.46 million shares at CAD$0.577/share and 3.46 million warrants at CAD$0.866/share) – Canadian cannabis cultivation company;

(d) (**Fire & Flower Inc**.): (MMJ owns a ~1.6%* shareholding plus 1.25 million warrants at an exercise price of CAD$1.05 per share) – Canadian corporate retail cannabis store chain; and

(e) (**Cannabis Access**): (MMJ owns 16.7%* shareholding) – the leading online portal for medical cannabis access in Australia.

(f) **Martha Jane Medical Limited:** (MMJ owns 12.5%* shareholding) – holder of an Australian medical cannabis licence and progressing applications for other classes of Australian cannabis licences.

(g) **Bien Ventures Ltd**: (MMJ owns 12.7% shareholding plus 2.8 million warrants at an exercise price of CAD$0.35) - an intellectual property, branding and licensing company.

(h) **BevCanna Enterprises Inc.**: (MMJ owns 3.6%* shareholding) - intends to become a fully vertically-integrated premium-based cannabis infused beverage manufacturer; and

(i) **MediPharm Labs Inc.:** (MMJ owns ~ 6.9%* shareholding plus 463,908 warrants at an exercise price of CAD$15.216 per share) – owns medical cannabis oil production facilities in Canada and Australia.

(j) **Embark Health Inc** (MMJ owns 2.5%* shareholding – is aiming to build a state-of-the-art THC, CBD, and CBG extraction facility to service Canada's medical and recreational cannabis markets,

**Based on the total share capital that MMJ is aware is on issue as at date of this Notice.*

The Disposal is consistent with MMJ's strategic intent to operate as a global cannabis investment company with a portfolio of minority investments, rather than having control over its investments.

At present, PTL requires significant MMJ management time and resources to ensure that it is successful in its business strategy and can become a viable, self-funding business in the future. Advanced clinical research and development is not a core capability of MMJ's management team. MMJ has invested approximately $4.7 million in PTL to date and, whilst PTL remains as a 100% subsidiary of MMJ, it is expected to continue to require funding and operate at an annual net loss for MMJ over the next few years.

Funds raised from the Disposal will provide MMJ with flexibility to pursue investment opportunities in the cannabis sector.

In the six months proceeding the date of this Notice, the Company has issued the following securities:

Date of Issue	Interest	Notes
6 July 2018	8,750,000 Shares	1,000,000 Shares were issued at $0.24 per Share upon the conversion of 1,000,000 unlisted Class I Options raising 240,000. 7,750,000 Shares were issued for nil cash consideration upon the conversion of 2,500,000 Class E, 2,625,000 Class F and 2,625,000 Class G Performance Rights.
15 June 2018	833,333 Class H Performance Rights	Issued under the Company's Performance Rights Plan issued for cash consideration of $0.0001 per Performance Right raising approximately $83.
15 June 2018	833,333 Class I Performance Rights	Issued under the Company's Performance Rights Plan issued for cash consideration of $0.0001 per Performance Right raising approximately $83.
15 June 2018	833,334 Class J Performance Rights	Issued under the Company's Performance Rights Plan issued for cash consideration of $0.0001 per Performance Right raising approximately $84.
12 April 2018	500,000 Shares	Issued on exercise of 500,000 Class E Options at $0.20 per option raising $100,000.
2 March 2018	4,625,000 Shares	Issued for nil cash consideration upon the conversion of 1,625,000 Class E, 1500,000 Class F and 1,500,000 Class G Performance Rights
2 March 2018	2,000,000 Class H Performance Rights	Issued under the Company's Performance Rights Plan issued for cash consideration of $0.0001 per Performance Right to raise a total of $200.
2 March 2018	2,000,000 Class I Performance Rights	Issued under the Company's Performance Rights Plan issued for cash consideration of $0.0001 per Performance Right to raise a total of $200.
2 March 2018	2,000,000 Class J Performance Rights	Issued under the Company's Performance Rights Plan issued for cash consideration of $0.0001 per Performance Right to raise a total of $200.

The funds raised from these exercises of options and issues of performance rights were applied towards operating expenses and subsequent investments made by the Company.

The original circumstances surrounding the relevant issues of the Options were as follows:

(a) Class E Options issued to past director as part of equity based incentives package with shareholder approval;

(b) Class I Options issued to employee as part of equity based incentives package.

None of the issues of these securities (being the Options themselves or the underlying Shares) were underwritten.

1.3 ASX Requirements, Investment Entity and Re-compliance

MMJ has sought in-principle advice from ASX in respect of the Disposal and ASX has advised the Company that:

(a) ASX Listing Rule 10.1 applies to the Disposal and that the Company will need to obtain Shareholder approval for the Disposal pursuant to ASX Listing Rule 10.1 (approval for which is being sought under Resolution 1);

(b) as a result of the Disposal, the Company will shift to become an investment entity as defined in the ASX Listing Rules (**Investment Entity**) and this constitutes a change in the nature of the Company's activities pursuant to ASX Listing Rule 11.1, and consequently the Company will be required to:

    (i) obtain shareholder approval pursuant to ASX Listing Rule 11.1.2 (approval for which is being sought by the Company under Resolution 2); and

    (ii) re-comply with all of the requirements of Chapters 1 and 2 of the ASX Listing Rules as an Investment Entity pursuant under ASX Listing Rule 11.1.3 (**Re-Compliance**).

Under the ASX Listing Rules an "**Investment Entity**" is an entity whose principal activities relate to investing in listed or unlisted securities and whose objectives do not include exercising control over or managing any entity, or the business of any entity, in which it invests.

In order to comply with the requirements of the Re-compliance as an Investment Entity, MMJ will (amongst the other ASX requirements) need to demonstrate, at the time of re-compliance, that it has net tangible assets of at least $15 million. MMJ considers it will satisfy this requirement without the need to raise any money. Please refer to Schedule 2 for more information.

Accordingly, MMJ will issue a prospectus as required by ASX Listing Rule 1.1 Condition 3 as part of this Re-Compliance process, MMJ does not intend to conduct a capital raising.

Shareholders should note that once the Company re-complies as an Investment Entity, it will need to comply with additional regulatory requirements for Investment Entities. This includes the requirement to report to ASX the net tangible asset backing of its quoted securities at the end of each month. Further details on the requirements for an Investment Entity are set out in Section 4.

1.4 The Board is of the strong opinion that by becoming an Investment Entity, the Company will have greater potential to generate sustainable returns for its Shareholders building operations across all parts of the cannabis supply chain as opposed to its former vertically integrated "Farm to Pharma" business model. Change of name

Following successful completion of the Disposal and Re-Compliance and subject to Shareholder approval being obtained, the Company intends to change its name to "MMJ Group Holdings Limited".

The Company considers this will better reflect its activities and strategy as an Investment Entity

Approval to change the name of the Company is being sought under Resolution 3.

1.5 Terms of the SSA and Due Diligence

The key terms and conditions of the SSA for the Disposal are set out below:

(a) (**Consideration**): the total consideration for the Disposal is CAD$8 million payable to the Company as follows:

Cash (CAD$)	HVT Shares*(CAD$)	Total (CAD$)
$1m	$7m	$8m

**The issue price for the HVT Shares will be based on the 10-day volume weighted average price of those shares immediately prior to settlement of the Disposal.*

(b) (**Conditions Precedent**): The settlement of the Disposal (**Settlement**) is conditional upon the satisfaction or waiver of the following conditions:

(i) MMJ obtaining all necessary shareholder approvals pursuant to the Corporations Act, the ASX Listing Rules or any other law to allow MMJ to lawfully complete the matters set out in the SSA, including, without limitation:

(A) ASX Listing Rule 11.1.2 approval authorising a change of nature of activities of MMJ (as applicable); and

(B) ASX Listing Rule 10.1 approval for the Disposal to HVT (or its nominee/s);

(ii) conversion of the balance of all intercompany loans between MMJ as the lender and PTL as the borrower into PTL shares;

(iii) MMJ and HVT obtaining all necessary third-party approvals or consents to give effect to, and to allow them to lawfully complete the matters set out in, the SSA; and

(iv) MMJ and HVT obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the Parties to lawfully complete the matters set out in this SSA, including but not limited to:

(A) the conditional approval for MMJ's securities to be reinstated to trading on the ASX on conditions satisfactory to MMJ acting reasonably; and

(B) the conditional approval of the TSX Venture Exchange for the listing of the HVT Shares issuable under the SSA.

The SSA otherwise contains terms and conditions considered standard for an agreement of its nature.

No person or party has been paid or will be paid any fees for finding, arranging or facilitating the Disposal.

The HVT shares to be issued in consideration to the Company will be subject to statutory resale restrictions under applicable Canadian securities laws. The Company has covenanted that it will not resell the consideration shares except in compliance with such applicable securities laws. This period of restriction will be 4 months and one day from Settlement.

Prior to execution of the SSA, the Company undertook appropriate enquiries and due diligence investigations into HVT, specifically into its assets and liabilities, financial position and performance, the current value of its securities, its future prospects and direction and the expertise of its directors, management and other key personnel. Such investigations consolidated the Company's confidence that the Disposal is in the best interests of the Company and its shareholders.

1.6 Proposed activities if Settlement does not occur

In the event that the Company does not obtain Shareholder approval under Resolution 1 and Resolution 2 or the re-compliance conditions in Chapters 1 and 2 of the ASX Listing Rules are not met, the Disposal will not progress and the Company will continue to own, control and operate PTL along with managing its other existing investments.

1.7 Effect of the Disposal and the Re-Compliance on the Company's capital structure and ownership

The Disposal and Re-Compliance will have no effect on the Company's capital structure.

The table below sets out the capital structure of the Company both pre and post the Disposal and Re-Compliance.

	Shares	Options	Performance Rights
Pre-Disposal (as at date of this Notice) [1]	230,148,985	15,083,391[2]	17,500,000[4]
Post-Disposal [1]	230,148,985	16,083,391[2,3]	17,500,000[4]

Notes:

1. Assumes that no other additional Shares are issued in the Company prior to Settlement including the exercise of Options and vesting of Performance Rights into Shares.
2. Comprising:
   (a) 350,000 Class C Options exercisable at $0.31 on or before 6 May 2019.
   (b) 7,075,000 Class F Options exercisable at $0.45 on or before 8 September 2018.
   (c) 2,537,500 Class G Options exercisable at $0.36 on or before 1 March 2019.
   (d) 620,891 Class H Options exercisable at $0.27 on or before 31 January 2020.
   (e) 3,000,000 Class J Options exercisable at $0.24 on or before 1 September 2020 which will vest on the date of this Meeting.
   (f) 1,500,000 Class K Options exercisable at $0.35 on or before 31 October 2021; 500,000 Class K Options will vest on 1 November 2018, 1 November 2019 and 1 November 2020 respectively subject to the holder remaining engaged by the Company.
3. Includes 1,000,000 Director Options to be issued, subject to Shareholder approval in accordance with Resolution 4 the terms of which are set out in Schedule 3.
4. Comprising
   (a) 9,000,000 Class D Performance Rights: refer to Notice of General Meeting released on the Company's ASX platform (ASX:MMJ) on 29 June 2015
   (b) 2,833,333 Class H Performance Rights: vesting upon 20 day VWAP of Shares being above $0.60 on or before 26 February 2022
   (c) 2,833,333 Class I Performance Rights: vesting upon 20 day VWAP of Shares being above $0.80 on or before 26 February 2022
   (d) 2,833,334 Class J Performance Rights: vesting upon 20 day VWAP of Shares being above $1.00 on or before 26 February 2022

Additionally, assuming completion of the Disposal, it is not presently anticipated that any person will have a voting power of 20% or more in the Company.

The Company currently has a number of Performance Right on issue with a nominal vesting price. Accordingly, depending on ASX's application of paragraph 8.9 of ASX Guidance Note 12, the Company will likely seek a waiver from the requirements of ASX Listing Rule 1.1, Condition 12, which requires that the exercise price for all options on issue must be at least 20 cents in cash at the time a company seeks re-quotation.

1.8 Financial effect of the Disposal and Re-Compliance

The principal effects of the Disposal on the Company's consolidated statement of financial position will be that the:

(a) total assets will increase by approximately $7.491 million;

(b) total liabilities will decrease by approximately $0.129 million; and

(c) total equity interests will increase by $7.62 million.

There will be no significant effect on the Company's consolidated statement of financial performance.

Since the last audited accounts, dated 31 December 2017, there have been other subsequent events affecting the financial position of the Company (please refer to the pro-forma balance sheet in Schedule 2 for further details). The principal effect of these relevant subsequent adjustments up until 30 June 2018 (including the Disposal) on the Company's consolidated statement of financial position will be that the:

(a) total assets will decrease by approximately $0.9 million;

(b) total liabilities will decrease by approximately $10.4 million; and

(c) total equity interests will increase by $9.5 million.

MMJ confirms that as part of the Disposal a payment to Yissum Research Development Company of the Hebrew University of Jerusalem Ltd (**Yissum**) must be made. Under an existing agreement between PTL and Yissum, an exit fee must to be paid to Yissum to allow the change in control of PTL. As detailed at Schedule 2 of this Notice, the exit fee is 2% of the exit consideration. This is equivalent to a total of CAD$160,000 (A$164,048) through CAD$20,000 (A$20,506) in cash and CAD$140,000 (A$143,542) in HVT Shares. In addition, $300,000 in anticipated costs of the Disposal are to be paid.

Further details with respect to the financial effect of the Disposal and Re-Compliance are set out in the Independent Expert Report at Schedule 1 and the pro-forma balance sheet in Schedule 2.

The Company does not consider it appropriate to forecast future earnings. Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection on a reasonable basis.

1.9 Effect on the board and senior personnel

The Disposal and Re-Compliance will have no effect on the current composition of the Board.

The current profiles of the Company's Board members and senior personnel are set out below:

(a) **Peter Wall**
Non-Executive Chairman

Peter was appointed as Non-Executive Chairman on 14 August 2014. He is also the chairman of Harvest One Cannabis Inc, a Canadian listed medical cannabis company. He is a corporate lawyer and has been a Partner at Steinepreis Paganin (Perth based corporate law firm) since July 2005. Peter's value to the Board is mainly related to his legal background, corporate governance and extensive experience in the medical cannabis space (having been a director of the Company since inception and a pioneer in the medical space in Australia). Peter is also the Chairman of unlisted AFSL corporate authorized representative Sharequity Pty Ltd (a crowdfunding and sophisticated investor platform) and has previously acted as Chairman of an unlisted fund called as Stoicus Funds Management.

Peter graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA. Peter has a wide range of experience in all forms of commercial and corporate law, with a particular focus on resources (hard rock and oil/gas), equity capital markets and mergers and acquisitions. He also has significant experience in dealing in cross border transactions.

(b) **Winton Willesee**
Non-Executive Director

Winton was appointed as Non-Executive Director on 21 October 2014. He is an experienced company director with a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Winton has considerable experience with ASX listed companies and is licensed to provide investment advice as an authorised representative under an AFSL. Winton has been involved with many successful ventures from early stage through to large capital development projects. He holds formal qualifications in economics, finance, accounting, education and governance and has additional investment experience following years spent as a stock broker.

Winton is a Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors, a Member of CPA Australia and a Chartered Secretary.

(c) **Doug Halley**
Non-Executive Director

Doug was appointed as Non-Executive Director on 16 March 2018. He is an experienced company director and has also served for 30 years as CFO or CEO in a number of significant and successful (mostly publically-listed) commercial enterprises and investment banks obtaining additional experience in portfolio management and advisory.

Doug's executive experience had a heavy emphasis in corporate strategy, treasury, financial management, M&A and business development. Doug was Chairman of the ASX listed DUET Group entities between 2006 and 2017 which managed infrastructure investments in Australia and USA. Doug has been Chairman of Investment Committee for N V Phillips Australia superannuation fund and the Thomson Australia superannuation fund and a director of various Javelin and Five Arrows public investment trusts managed by N M Rothschild Australia.

He holds formal qualifications in business administration and accounting and is a Fellow of the Australian Institute of Company Directors.

(d) **Jason Conroy**
Chief Executive Officer

Jason is an experienced senior executive and board member. He was appointed CEO in February 2018.

Prior to joining MMJ, Jason was CFO of DUET Group, a former member of the ASX100, for 9 years to May 2017. As part of this role, he led a significant transformation through M&A, recapitalisations and restructuring that resulted in DUET's market capitalisation growing from $1.2 billion in 2009 to $7.4 billion in 2017, at which time the group was acquired at an attractive premium.

Jason has also gained experience from roles in restructuring, advisory, venture capital, corporate development and corporate finance in Australia and overseas. He holds a Bachelor of Commerce (Accounting), a Master of Business Administration (MBA), is a Fellow of Chartered Accountants Australia and New Zealand (FCA) and a member of the Australian Institute of Company Directors (MAICD.

(e) **Jim Hallam**
Chief Financial Officer

Jim has 20 years of experience in the investment management industry with alternative asset fund managers in Australia and overseas including Hastings Funds Management and Annuity Australia. Jim's roles include acting as responsible manager, investment manager and CFO within alternative asset fund managers.

He has a Bachelor of Commerce (Economics), is a member of the Chartered Accountants Australia and New Zealand and a Fellow of the Governance Institute of Australia.

1.10 Director Interests in Securities

Directors are not required under the Constitution to hold any Shares to be eligible to act as a Director.

Details of the Directors' relevant interest in the securities of the Company as at the date of this Notice and following the Disposal and Re-compliance are set out in the table below:

Director	Shares	Options	Performance Rights
Peter Wall[1]	8,600,000	Nil	NIL
Winton Willesee[2]	1,500,000	Nil	NIL
Doug Halley[3]	30,000	1,000,000[4]	NIL

Notes:

1. Held indirectly by an entity controlled by Mr Wall, Pheakes Pty Ltd <Senate A/C>.
2. Held indirectly by an entity controlled by Mr Willesee, Silverinch Pty Limited <The Silverinch S/F A/C>.
3. Held indirectly by an entity controlled by Mr Halley Chavoo Pty Ltd <Midhurst Superannuation Fund>.
4. Subject to Shareholders approving Resolution 4. These Options will be issued on the terms and conditions set out in Schedule 3.

1.11 Business Model and Investment Strategy

Following the Re-Compliance, the Company intends to be a cannabis-focussed Investment Entity which will manage and maintain a portfolio of investments in a range of emerging cannabis-related sectors.

MMJ will continue to actively manage its current investments and seek to make additional investments. It is intended that the Company's principal activities will consist of making investments in listed or unlisted securities and derivatives in companies involved in the cannabis industry where the MMJ Board perceives there to be material upside potential. These investments will be passive or non-controlling, the Company's objectives and investment strategy will not include the exercise of control over these entities or the business of these entities.

The investment objective of the Company is to realise positive returns on its investments regardless of the underlying movement in value of the investment markets and generate strong risk adjusted returns for shareholders over the medium to long term, whether by way of capital growth and or regular income from interest, dividends, fees or profit from realisation on asset sales. Specifically, MMJ aims to invest $0.5 million to $5 million per new investment opportunity.

MMJ believes that there is significant long-term growth potential in the cannabis industry, particularly in Canada. Accordingly, the Company has identified an opportunity to create value through investments.

The Company has developed strengths and capabilities that are suited to investing in the cannabis sector through construction of a portfolio of strategic investments. These include:

- a Board of directors which has overseen the construction of the Company's investment portfolio;
- the Company's Board of directors and senior management have substantial experience in the corporate finance and investment management in the areas of listed and unlisted investments within Australia and overseas;
- the senior management team has a proven track record of investment, oversight and exits in the private equity arena;
- the Company has an established brand with a strong reputation and presence in Australia and overseas that provides excellent access to a significant flow of attractive investment opportunities; and
- a distinctive and flexible approach to structuring transactions, managing risk, adding value and exiting investments.

The MMJ Board (along with senior management personnel) have capabilities and experience in each of the five core processes of investment management, being:

- sourcing investments;
- making investments;
- adding value to investments;
- exiting investments; and
- company administration.

Specifically, the experience of MMJ's board members and senior management is summarized above at Section 1.7.

MMJ's returns and investments will be driven by active management of the portfolio by the MMJ Board and CEO. The Board and CEO will have discretion, within the terms of the investment strategy. to determine investments to pursue on behalf of the Company and its shareholders.

The Board will investigate and select potential investment opportunities based on an assessment of a wide range of factors, including the size of the investment, projected revenue, costs and profits, growth potential, credit risk, asset and cash flow profile and assessment objectives.

At this point in time, MMJ does not intend to raise any further capital but will make investments through the use of:

- its existing cash position ($0.9m unaudited corporate cash position - before sale proceeds are received from the Disposal); and
- capital obtained from liquidity events in respect of its existing and future investments including the Disposal.

MMJ will be targeting investments or opportunities with the following characteristics:

- emerging cannabis sector leaders in healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment and retail;
- investment size of between $0.5m to $5m;
- investments in jurisdictions such as Australia and Canada;
- minority investments consistent with a venture capital approach to managing a broad portfolio.

There will be no minimum or maximum number of investments in the Company's investment portfolio, however more or less may be held depending on the number of suitable investments identified that are expected to meet performance expectations.

1.12 Key Risks

The key risks the Company associated with the Disposal and its proposed future activities as an Investment Entity are as follows:

(a) **Completion risk**

Pursuant to the SSA, MMJ has agreed to sell 100% of the issued share capital of its wholly-owned subsidiary PTL to HVT, completion of which is subject to the fulfilment of certain conditions. There is a risk that the conditions for completion of the Disposal cannot be fulfilled and, in turn, that completion of the Disposal does not occur. If the Disposal is not completed, the Company will incur costs relating to advisors and other costs without any material benefit being achieved.

(b) **Re-quotation of shares on ASX**

As part of MMJ's change in the nature of its activities, ASX requires it to re-comply with Chapters 1 and 2 of the ASX Listing Rules. It is anticipated that MMJ's securities will be suspended from the date of the Meeting until completion of the Disposal, re-compliance by the Company with Chapters 1 and 2 of the ASX Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that MMJ will not be able to satisfy one or more of those requirements and that its securities will consequently remain suspended from official quotation.

(c) **Investment Risk**

There is a risk that the investments that form part of the Company's portfolio will fall in value for short or extended periods of time. The value and individual trading prices, in the case of listed entities, of the individual companies that the Company holds will be affected, amongst other things, by the operational and financial performance of those companies, the quality of their management and the overriding state of the sector in which those companies operate.

(d) **Investment Strategy Risk**

The success and profitability of the Company will largely depend on the Board's ability to manage the portfolio in a manner that complies with the Company's objectives, strategies, policies, guidelines and permitted investments. The returns of the Company will depend on the Board being exposed to well managed businesses that have the ability to increase in value over time. A failure to do so may negatively impact the Company and its shares. There can be no guarantee that the Board's strategy will result in the Company improving its performance. Investment returns cannot be predicted and performance may deteriorate.

(e) **Market Risk**

Broad market risks include movements in domestic and international securities markets, movements in foreign exchange rates and interest rates, changes in taxation laws and other laws affecting investments and their value. The MMJ Board will endeavour to construct the Company's Portfolio so as to minimise market risks. Certain events may have a negative effect on the price of all types of investments within a particular market. These events may include changes in economic, social, technological or political conditions, as well as market sentiment specifically in the medical cannabis industry.

(f) **Reliance on Key Management Personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of MMJ and its investments depends substantially on its senior management and directors. There can be no assurance that there will be no detrimental impact on the performance of MMJ or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner. If such contracts with key management personnel are terminated or breached, or if the relevant personnel were no longer to continue in their current roles, MMJ would need to engage alternative staff, and MMJ's operations and business may be adversely affected.

(g) **Economic Risk**

Investment returns are influenced by market factors, including changes in economic conditions, changes to legislative, regulatory and political environments as well as changes in investor sentiment. In addition, exogenous events, such as natural disasters, acts of terrorism and financial market turmoil, can and sometimes do, result in equity market volatility and losses.

(h) **Limited diversification**

The Company's portfolio may be less diversified than the portfolios of other listed investment companies and accordingly, may be more exposed to falls in the market price of its individual investments. The lower the number of different listed securities to which the Company is exposed increases the risk of potential volatility of the Company's net tangible asset backing and, by extension the ASX trading price of the Shares.

(i) **Impact of further investments**

The Company will in the future seek to acquire investments to generate growth opportunities. The pursuit of potential investments may divert the attention of management and cause MMJ to incur various expenses in identifying, investigating and pursuing suitable investments, if they are consummated. MMJ also may not achieve the anticipated benefits from the investment business due to a number of factors, including:

(i) incurrence of investment-related costs;

(ii) diversion of management's attention from other business concerns;

(iii) unanticipated costs or liabilities associated with the investment;

(iv) harm to our reputation;

(v) the potential loss of key employees;

(vi) use of resources that are needed in other parts of our business; and

(vii) use of substantial portions of our available cash to consummate the investment.

In the future, if our investments do not yield expected returns, we may be required to take charges to our operating results arising from the impairment assessment process. Investments may also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an investment company fails to meet our expectations, our business, results of operations and financial condition may be adversely affected.

To the same credit, the Company may opt to sell or divest any of its current investments. As a listed investment company, the Company may seek to sell any of its current investments should a suitable price be obtainable, or the opportunity be consistent with the business model and future plans of the Company. The investments noted at Section 1.2 are correct as at the date of this Notice, however the Company may decide to dispose of the investments or acquire alternate investments.

(j) **Publicity and Media**

The products of MMJ's investee companies (**Investees**) (**Products**) contain controlled substances, the use of which may generate public controversy. These Products or proposed Products contain controlled substances and their regulatory approval may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, the Products. These pressures could also limit or restrict the introduction and marketing of the Products. Adverse publicity from cannabis misuse or adverse side effects from cannabis or other cannabinoid products may adversely affect the commercial success or market penetration achievable by our products. The nature of our business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, the reputation of the Company and/or its Investees may be harmed.

(k) **Industry Growth**

The medicinal cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and formation of strategic relationships. We expect this consolidation and strategic partnering to continue. Investments or other consolidating transactions could harm MMJ in many ways, including:

(i) The Investee could lose strategic relationships if third parties with whom the Investee has arrangements with are acquired by or enter relationships with a competitor (which could cause us to lose access to distribution, content, technology and other resources);

(ii) the relationship between the Investee and such third parties may deteriorate and cause an adverse effect on our business; and

(iii) the Investee's current competitors could become stronger, or new competitors could form, from consolidations.

Any of these events could put the Investee at a competitive disadvantage, which could cause it to lose research facilities or access to technology. Consolidation could also force the Investee to expend greater resources to meet new or additional competitive threats, which could also harm its results.

(l) **License and Regulatory Risk**

MMJ's Investees' ability to research, develop and commercialize Products is dependent on their ability to maintain licenses relating to the cultivation, possession and supply of controlled substances and comply with any other regulatory requirements. The licenses required for medical research may need to be granted by the relevant authority in each country. The Investee may not be able to carry on its research and development program if these licences are not issued. The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern MMJ or its Investees' operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of MMJ and its shares. In addition, there is a commercial risk that legal action may be taken against MMJ in relation to commercial matters.

(m) **Litigation**

MMJ may in the ordinary course of business become involved in litigation and disputes, for example with its contractors or clients. Any such litigation or dispute could involve significant economic costs and damage to relationships with contractors, clients or other stakeholders. Any such outcomes may have an adverse impact on MMJ's business, market reputation and financial condition and financial performance. To the Company's knowledge neither the Company nor HVT are currently engaged in any litigation.

(n) **Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

1.13 Risk Management on Investments

The Company will undertake a risk management and review process for all investments, including undertaking due diligence investigations in relation to acquiring interests in companies with a development on long term investment view.

The Company will monitor the investment policy and standards including:

(a) investment returns;

(b) credit risk;

(c) asset and cash flow support;

(d) maturity profile;

(e) liquidity; and

(f) concentration limits.

The Company may also look to invest in other opportunities, as approved by the Board in writing and subject to its investment criteria.

The financial data that will be taken into account in assessing potential investments for the portfolio will include, but not be limited to, an assessment of the past and projected earnings and profits of a company, the price-earnings ratio underlying any proposed investment, balance sheet strength, share price and earnings momentum and dividend yield and imputation credit level.

Every investment made by the Company will be continuously monitored and reviewed on a periodic basis. The Company will be willing to move quickly to realise investments when a view is formed that an investment is overvalued or an alternative, superior investment opportunity arises.

1.14 Key Dependencies

The key dependencies influencing the intended success of the Company are:

(a) completion of the Disposal;

(b) the Company's capacity to re-comply with Chapters 1 and 2 of the Listing Rules to enable re-admission to quotation of the Company's securities;

(c) the progression of emerging cannabis-related sectors to ensure the Company's investments are sufficient to create ongoing commercial arrangements; and

(d) managing and having access to sufficient funds to develop its investment activities and continue its expansion of emerging cannabis-related sectors and pursuit of growth opportunities.

1.15 Advantages

The Directors are of the view that the following non-exhaustive list of advantages apply to the Disposal and the Company's proposed future activities as an Investment Entity:

(a) the Company will have the ability to focus its resources on actively managing a portfolio of minority investments;

(b) the integration of PTL's operations with Satipharm, HVT's medical cannabis arm, will be enabled which is expected to generate synergies and growth opportunities that could not be captured by PTL as a standalone research and development company;

(c) MMJ's shareholders will be benefitted by the provision of additional working capital and freeing up management time to pursue investment opportunities whilst retaining exposure to PTL's future success through MMJ's shareholding in HVT;

(d) the divestment of PTL and the Company's re-compliance with ASX Listing Rules Chapters 1 and 2 will complete the Company's transition to an ASX-listed investment company holding minority interests in a range of cannabis-related companies, consistent with the strategy announced to the market in October 2017;

(e) as a company involved in research and development, there is no guarantee that the activities being undertaken by PTL will ultimately lead to clinically effective products which obtain regulatory approval in major markets, or that the returns from the sale of such products will exceed the amount invested in their development, including the cost of later-stage clinical trials;

(f) the research and development costs involved in drug development are substantial, including with respect to later-stage clinical trials and regulatory approval processes. The proposed transaction will relieve the Company from the need to raise capital to fund the ongoing activities of PTL, and is likely to provide greater access to capital through HVT's existing cash reserves and its ability to raise capital in Canada, being a more established market than Australia for companies operating in cannabis-related sectors;

(g) the Disposal will increase the Company's shareholding from 30.7% to 34.1% of the issued common shares in HVT, or from 24.9% to 27.8% on a fully diluted basis; and

(h) the Disposal will result in the Company holding additional cash and common shares in HVT, which, subject to the restriction period of 4 months as noted in the Section 1.5 above, can be traded in a liquid market. Accordingly, the Company will have the ability to sell these HVT shares, if it so chooses, in order to increase funds available to make further investments in other companies in cannabis-related sectors, in line with its strategy.

1.16 Disadvantages

The Directors are of the view that the following non-exhaustive list of disadvantages apply to the Disposal and the Company's proposed future activities as an Investment Entity:

(a) the Company will be exposed to the increased regulatory burden of complying with requirements for Investment Entities. This includes the requirement to report to ASX the net tangible asset backing of its quoted securities at the end of each month;

(b) the Company will be changing the nature of its activities to become an Investment Entity, which may not be consistent with the objectives of all Shareholders;

(c) an Investment Entity has a different risk and reward profile than the Company has had historically. The new risk profile may not suit all Shareholders;

(d) there are many risk factors associated with the change of nature of the Company's activities, or associated with its prospective business and operations. A non-exhaustive list of these risks is set out in Section 1.12;

(e) the Company will no longer have control over the strategic direction and research and development programme of PTL, despite maintaining an effective interest in PTL through its shareholding in HVT. HVT may have different objectives and priorities, including with respect to the deployment of capital, and there is no guarantee as to the level of funding which will be provided by HVT to fund PTL's ongoing or future research and development activities;

(f) the Disposal will result in the Company's effective interest in PTL reducing from 100% to 34%. If PTL is successful in developing, gaining approval for and bringing to market new products, the Company will therefore not gain the full benefit of the potential income which may accrue to PTL through royalty income or partnering arrangements; and

(g) the Disposal will increase the concentration of the Company's investments in HVT. As a result, its portfolio may be less diversified than the portfolios of other listed investment companies and accordingly, may be more exposed to falls in the market price of its individual investments. The lower the number of different listed securities to which the Company is exposed increases the risk of potential volatility of the Company's net tangible asset backing and, by extension the ASX trading price of the Shares.

1.17 Directors' Recommendation

Other than as set out in this Notice, none of the Directors currently have an interest in the Disposal. The Directors, other than Peter Wall who due to his interest as a director of HVT refrains from making a recommendation, recommend that Shareholders vote in favour of both Resolution 1 and Resolution 2 and consider the Disposal to be beneficial to Shareholders because of the advantages set out in Section 1.15 when compared with the disadvantages in Section 1.16.

There is no information known to the Company that is material to the decision by a Shareholder on how to vote on Resolution 1 and Resolution 2 other than as disclosed in this Notice of Meeting including the Explanatory Statement.

2. TIMETABLE

A timetable for the Disposal and associated Re-Compliance is set out below:

Event	Date*
Execution of the SSA	25 June 2018
Announcement of the Disposal	25 June 2018
Notice of General Meeting to approve the Disposal sent to Shareholders	29 August 2018
Lodgement of Prospectus with the ASIC	31 August 2018
General Meeting to approve the Disposal	28 September 2018
Settlement of Disposal	3 October 2018
Re-quotation of MMJ Shares on ASX	4 October 2018

*Please note that this timetable is indicative only and the Directors of the Company reserve the right to amend the timetable as required.

The Company will call a trading halt prior to the commencement of trading on the date of the Meeting. Assuming the relevant Shareholder approvals are obtained, it is anticipated that MMJ's securities will be suspended from the date of the General Meeting until completion of the Disposal, re-compliance by the Company with Chapters 1 and 2 of the ASX Listing Rules and compliance with any further conditions ASX imposes on such reinstatement.

3. RESOLUTON 1 – APPROVAL OF THE DISPOSAL

3.1 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons, a related party of the entity, a substantial holder or one of its associates, without the prior approval of holders of the entity's ordinary shareholders.

3.2 Substantial asset

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The equity interests of the Company as defined by the ASX Listing Rules and as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the financial half year ended 31 December 2017) were $50,700,000. 5% of this amount is $2,535,000.

The value of the consideration for the Disposal is more than 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules.

Therefore, the Disposal is a disposal of a substantial asset.

3.3 Relationship between MMJ and HVT

In ASX's opinion, for the purposes of ASX Listing Rule 10.1.5, HVT is a person whose relationship to MMJ is such that, the Disposal should be approved by Shareholders in accordance with ASX Listing Rule 10.1.

Initially, following the successful listing of MMJ's core cannabis brands, United Greeneries Holdings Ltd (UG) and Satipharm AG (SAT) on the TSXV through HVT in April 2017, MMJ included HVT in its consolidated group accounts as an entity that MMJ had control over. However, circumstances have subsequently changed so that MMJ no longer considers that it exerts control over HVT on the basis that:

- MMJ's shareholding in HVT has reduced to 30.7% (24.8% fully-diluted; refer table below); and
- the boards of both MMJ and HVT have changed so that MMJ and HVT have only one common director on their boards, being Peter Wall

HVT will be included as an investment but no longer consolidated in the accounts of MMJ.

MMJ's fully-diluted shareholding in HVT is as follows:

Event	MMJ Shares in HVT*	Total Fully-Diluted HVT Shares on Issue	MMJ Fully-Diluted Shareholding in HVT
Current	53,333,333	214,498,102	24.86%
On Settlement of the Disposal (subject to receipt of Shareholder approval of Resolutions 1 and 2)	62,242,424	223,589,011	27.84%

*Note: 2% of the Disposal consideration (cash and/or HVT Shares) when due and payable to MMJ is to be paid/issued to Yissum Research Development Company of the Hebrew University of Jerusalem Ltd (Yissum) based on an agreement in place between PTL and Yissum. The number of HVT Shares to be issued to MMJ and Yissum in the table above assumes a HVT Share price of CAD$0.77/HVT Share. MMJ's fully diluted shareholding in HVT after transfer of HVT shares to Yissum is 27.8%.

Following Settlement, the Company's shareholding in HVT will increase (albeit not above a 50% shareholding) upon the issue of any shares in HVT as consideration for the Disposal.

As stated above, ASX are requiring the Company's shareholder approval pursuant to ASX Listing Rule 10.1 in respect of the Disposal due to the circumstances of the relationship between the MMJ and HVT.

3.4 Approval under Resolution 1

The board considers that all information required by Shareholders for approval of Resolution 1 is contained in Sections 1 and 2.

3.5 Independent Expert's Report

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report set out in Schedule 1 sets out a detailed independent examination of the Disposal to enable non-associated Shareholders to assess the merits and decide whether to approve the Disposal.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to the Disposal and concludes that it is fair and reasonable to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

3.6 Inter-conditional approval

As Resolution 1 is conditional on Resolution 2, if Resolution 2 is not passed, Resolution 1 will not pass and the Disposal and resulting Re-Compliance will not occur.

4. RESOLUTION 2 – CHANGE TO NATURE OF ACTIVITIES AS AN INVESTMENT ENTITY

4.1 Change to nature of activities generally

Since listing, MMJ's strategy had focused on building operations across all parts of the cannabis supply chain, including growing operations, development of cannabinoids-based drug-products, production and commercialisation of medical cannabis products and distribution in regulated markets worldwide.

As announced on 10 October 2017 and further detailed in the Company's announcement of 25 June 2018, MMJ's intention is to shift its operational focus toward that of a global cannabis investment company, targeting the full range of emerging cannabis-related sectors including healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment, research & development, hemp food products and retail. For further details in respect of the proposed business activities of the Company as an Investment Entity are set out above in Section 1, specifically Sections 1.2 and 1.9.

4.2 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

(a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;

(b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and

(c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the Official List.

As detailed in Section 1 above, following consultation with ASX, ASX has advised that the Disposal, the subject of Resolution 1, will result in MMJ becoming an Investment Entity which will amount to a significant change in the nature of its activities and accordingly must undergo a Re-Compliance. .

As part of the Re-Compliance, MMJ intends to:

(a) obtain all approvals necessary for the Re-compliance, including seeking approval pursuant to Resolution 2 for the Company to change the nature of its activities under ASX Listing Rule 11.1.2;

(b) obtain conditional ASX approval to the reinstatement of the Company to official quotation on the ASX; and

(c) issue a prospectus in order to update the market with the terms of the Re-Compliance.

MMJ does not intend on conducting a capital raising upon issuing the Prospectus due to current levels of assets and available capital.

In accordance with Guidance Note 12, the Company has and will continue trading its securities on ASX from the date the Disposal was announced up until the date of the Meeting. The Company will call a trading halt prior to the commencement of trading on the date of the Meeting. Assuming the relevant Shareholder approvals are obtained, the Company's securities will be suspended from official quotation following the Meeting until the Company is re-instated on the ASX, subject to the satisfaction of quotation conditions imposed by ASX.

Further details on the intended timing is set out in Section 2.

4.3 Business intentions, assets and investments

Currently, the Company's material assets comprise of its existing investments as set out in Section 1.2.

The Company will retain all its current assets and activities other than its interest in PTL following completion of the Disposal and the Re-Compliance as an Investment Entity.

As an Investment Entity, the Company will continue to actively manage its current investment portfolio and seek to make additional investments having greater flexibility to invest in a broader range of investments in a range of emerging cannabis-related sectors with the objective of generating strong risk-adjusted returns for Shareholders.

Refer to Section 1 for further details regarding the Company following to the Disposal and Re-Compliance.

4.4 ASX Listing Rule 1.3.1A

If Shareholders approve Resolution 2, the Company will, at the time of seeking to re-comply with the admission requirements of ASX, be required to satisfy ASX Listing Rule 1.3.1A.

ASX Listing Rule 1.3.1A provides that, at the time of admission, an Investment Entity must have net tangible assets (**NTA**) of at least $15 million after deducting the costs of fund raising.

As at the date of this Notice, the Company satisfies these requirements with approximately $60m in NTA. The Company will also receive the consideration of CAD$7 million HVT Shares and CAD$1 million in cash at Settlement of the Disposal prior to Re-Compliance. Accordingly, the Company will not be raising any money in accordance with the Re-Compliance.

See the Independent Expert Report at Schedule 1 and the pro-forma balance sheet in Schedule 2 for more information.

4.5 Australian Financial Services Licence

An additional requirement of being an Investment Entity, is that MMJ needs to rely on an Australian Financial Services Licence (**AFSL**) in order to offer and issue shares in itself to the public under the Corporations Act. This does not require MMJ itself to obtain an AFSL if it is able to rely on the AFSL of an "Authorised Intermediary" pursuant to Section 911A(2)(b) of the Corporations Act. MMJ does not hold an AFSL and in order to offer Shares to the public in the future, MMJ will need to engage a qualified Authorised Intermediary, this is often the same entity as the lead manager for the relevant capital raising.

The Company will authorise the Authorised Intermediary to make offers to arrange for Issues (**Authorised Offers**) and the Company will only issue securities in accordance with those Authorised Offers and no others.

In any event, it is not the intention that the Company provides investment advice to investors and it will be up to the individual investor to seek any investment advice.

4.6 Inter-conditional approval

As Resolution 2 is conditional on Resolution 1, if Resolution 1 is not passed, Resolution 2 will not pass and the Re-Compliance will not occur.

5. RESOLUTION 3 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 3 seeks the approval of Shareholders for the Company to change its name to "**MMJ Group Holdings Limited**".

If Resolution 3 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and the Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company. If Resolution 3 is passed, the Company will lodge a copy of the special resolution with ASIC in order to effect the change.

6. RESOLUTION 4 – ISSUE OF DIRECTOR INCENTIVE OPTIONS TO DIRECTOR – DOUGLAS HALLEY

The Company has agreed, subject to obtaining Shareholder approval, to issue 1,000,000 Options (**Director Options**) to Douglas Halley (or his nominee) pursuant to the Company's Employee Share Option Plan and on the terms and conditions set out below.

Resolution 4 seeks Shareholder approval for the grant of the Director Options to Douglas Halley (or his nominee).

6.1 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of Director Options constitutes giving a financial benefit and Douglas Halley is a related party of the Company by virtue of being a Director.

The Directors (other than Douglas Halley who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Director Options because the agreement to grant the Director Options, reached as part of the remuneration package for Douglas Halley, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

6.2 ASX Listing Rule 10.14

ASX Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

The issue of the Director Options requires the Company to obtain Shareholder approval as Douglas Halley is a related party of the Company, by virtue of being a Director.

As the grant of the Director Options involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.14 is required unless an exception applies. It is the view of the Directors that the exceptions do not apply in the current circumstances.

6.3 Technical Information required by ASX Listing Rule 10.15

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of Director Options to Douglas Halley:

(a) the related party is Douglas Halley and he is a related party by virtue of being a Director;

(b) the maximum number of Director Options to be issued to Douglas Halley (or his nominees) is 1,000,000 Director Options;

(c) the exercise price of the Director Options will be equal to 135% of the volume weighted average price at which Shares are traded on the ASX over the 5 consecutive trading days up to and including the actual date of issue (**Exercise Price**);

(d) no funds will be raised from the issue of the Director Options as they are being issued for nil consideration;

(e) the Employee Share Option Plan was approved by Shareholders at the Company's annual general meeting on the 29th November 2017;

(f) since the approval of the Employee Share Option Plan on 29th November 2017, the Company has issued 1,500,000 Class K Options under the Employee Share Option Plan (which subject to vesting conditions are exercisable at $0.35 each on or before 31 October 2021), this issue was not made to a person referred to in Listing Rule 10.14;

(g) no loan is being issued to Douglas Halley under the terms of the Employee Share Option Plan;

(h) all Directors being Peter Wall, Winton Willesee and Douglas Halley are entitled to participate in the Employee Share Option Plan, however, at the current time the Company only intends to make an offer to Douglas Halley. Accordingly, approval is being sought only for the issue of the Director Options to Douglas Halley;

(i) the Director Options will be issued to Douglas Halley no later than 12 months after the date of the Meeting and it is anticipated the Director Options will be issued on one date;

(f) the terms and conditions of the Director Options are set out in Schedule 3.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Director Options as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the grant of Director Options to Douglas Halley (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

$ means Australian dollars.

AEST means Australian Eastern Standard Time.

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.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependent of the member or the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;

(e) a company the member controls; or

(f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

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

Constitution means the Company's constitution.

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

Disposal has the meaning as set out in Section 1.1.

Director Option means Option on the terms and conditions set out in Schedule 3 of this Notice.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

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

HVT has the meaning as set out in Section 1.1.

HVT Shares means the fully paid ordinary shares in the capital of HVT.

Independent Expert Report means the independent expert report attached at Schedule 1.

Investment Entity means an investment entity in accordance with the ASX Listing Rules.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

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

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

Option means an option to acquire a Share.

PTL has the meaning as set out in Section 1.1.

Proxy Form means the proxy form accompanying the Notice.

Re-Compliance has the meaning as set out in Section 1.3(b)(ii).

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

SSA has the meaning as set out in Section 1.1.

Section means a section of the Explanatory Statement.

Settlement means the settlement of the SSA and Disposal.

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

Shareholder means a registered holder of a Share.

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

MMJ PHYTOTECH LIMITED

Financial Services Guide and Independent Expert's Report

9 August 2018

We have concluded that the Proposed Transaction is Fair and Reasonable to the Non-Associated Shareholders

RSM

FINANCIAL SERVICES GUIDE

9 August 2018

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM Corporate Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Toll Free:	1300 78 08 08
Facsimile:	(03) 9613 6399
Email:	info@fos.org.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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9 August 2018

The Directors
MMJ PhytoTech Limited
Suite 518, Level 5, 165-167 Phillip Street
Sydney NSW 2000

Dear Directors

INDEPENDENT EXPERT'S REPORT ("REPORT")

1. Introduction

1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to shareholders of MMJ PhytoTech Limited ("MMJ" or "the Company") for a General Meeting to be held on or around 28 September 2018, at which shareholder approval will be sought for (amongst other things) the disposal of its wholly owned subsidiary PhytoTech Therapeutics Ltd ("PhytoTech" or "PTL") to Harvest One Cannabis Inc. ("Harvest One" or "HVT") for total consideration of C$8 million ("Consideration") ("Proposed Transaction").

1.2 Harvest One, a company incorporated in Canada and listed on the TSX Venture Exchange, is a related entity of the Company, in that MMJ holds 30.7% of the issued common shares in Harvest One.

1.3 If the Proposed Transaction is approved by MMJ shareholders, and subject to satisfying certain regulatory and other conditions, the consideration to be received by the Company in connection with the Proposed Transaction will comprise:

a) C$1 million in cash (payable in Canadian dollars ("Cash Consideration")); and

b) Common shares in Harvest One with value of C$7 million, where the number of shares to be issued is based on the volume-weighted average price ("VWAP") of HVT shares over the 10 days immediately prior to settlement of the Proposed Transaction ("Share Consideration");

(together, the "Consideration").

1.4 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction ("Non-Associated Shareholders").

1.5 The request for approval of the Proposed Transaction is included as Resolution 1 in the Notice. Resolution 1 is subject to the approval of Resolution 2. Resolution 1 and Resolution 2 are interdependent on each other. We have restated these resolutions below:

Resolution 1:

"That, subject to and conditional upon Resolution 2 being passed, for the purposes of ASX Listing Rule 10.1 and for all other purposes, Shareholders approve the Disposal and otherwise on the terms and conditions set out in the Explanatory Statement."

Resolution 2:

"That, subject to and conditional upon Resolution 1 being passed, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature of its activities as described in the Explanatory Statement accompanying this Notice."

1.6 The decision of each Shareholder as to whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and conclusion

Opinion

2.1 In our opinion, and for the reasons set out in Sections 12 and 13 of this Report, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of MMJ.

Approach

2.2 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a related party or relevant substantial shareholder or any of its associates without the approval of holders of the entity's ordinary securities.

2.3 The ASX has advised the Company that Listing Rule 10.1 applies to the Proposed Transaction as PhytoTech is deemed to be a substantial asset being divested to Harvest One, which ASX considers to be a person of influence.

2.4 ASX Listing Rule 10.10.2 sets out the requirement for the inclusion of an independent expert's report opining on whether a transaction falling within the scope of Listing Rule 10.1 is fair and reasonable to the Non-Associated Shareholders.

2.5 We have considered whether or not the Proposed Transaction is "fair" to the Non-Associated Shareholders by assessing and comparing:

- The Fair Market Value of PhytoTech; with
- The Fair Market Value of the Consideration,

and considered whether the Proposed Transaction is "reasonable" to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction, in addition to whether the Proposed Transaction is "fair" to the Non-Associated Shareholders.

2.6 Further information on the approach we have employed in assessing whether the Proposed Transaction is "fair" and whether it is "reasonable" is set out at Section 4 of this Report.

Fairness

2.7 Our assessed values of PhytoTech and the Consideration are summarised in the table and figure below.

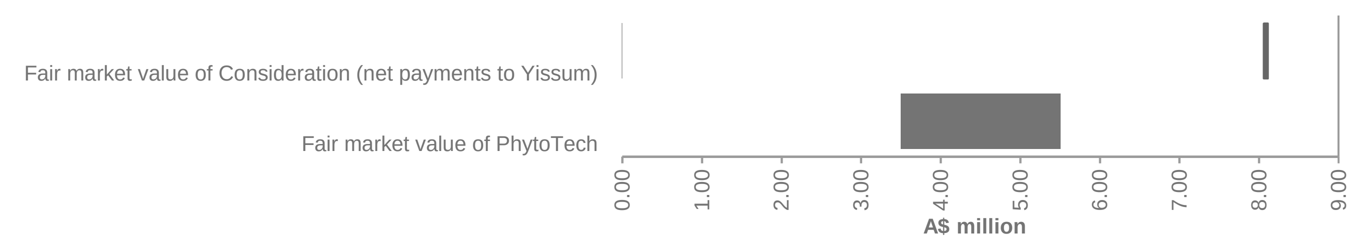
Table 1 Assessment of fairness

A$ million	Ref	Assessed value Low	Assessed value High
Assessed Fair Market Value of Consideration	11.22	8.11	8.11
Assessed Fair Market Value of PhytoTech	10.7	3.60	5.60

Source: RSM analysis

2.8 We have summarised the values included in the table above in the chart below.

Figure 1 Assessment of fairness – graphical representation



Source: RSM Analysis

2.9 The chart above indicates that our assessed value of the Consideration is above the assessed range of values for PhytoTech.

2.10 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of ASX Listing Rule 10.1, we consider the Proposed Transaction to be **fair** to the Non-Associated Shareholders of MMJ.

Reasonableness

2.11 RG 111 establishes that a related party transaction is 'reasonable' if it is 'fair'. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.12 If the Proposed Transaction does not proceed, the Company will not receive the Cash Consideration and the Share Consideration, and will continue to own, control and operate PhytoTech as a wholly-owned subsidiary, in addition to managing its portfolio of investments in companies operating in cannabis-related sectors.

2.13 The key advantages of the Proposed Transaction are:

Table 2 Advantages of the Proposed Transaction

Advantage	
Transition to a listed investment company	The divestment of PhytoTech will complete MMJ's transition to being an ASX-listed investment company holding minority interests in a range of cannabis-related companies, consistent with the strategy announced to the market in October 2017.
Reduced exposure to risk associated with PhytoTech's R&D programme	As a company involved in research and development, there is no guarantee that the activities being undertaken by PhytoTech will ultimately lead to clinically effective products which obtain regulatory approval in major markets, or that the returns from the sale of such products will exceed the amount invested in their development, including the cost of later-stage clinical trials.
Eliminates funding requirements for PhytoTech's R&D programme	The R&D costs involved in drug development are substantial, including with respect to later-stage clinical trials and regulatory approval processes. The Proposed Transaction will relieve MMJ from the need to raise capital to fund the ongoing activities of PhytoTech, and is likely to provide PhytoTech with greater access to capital through Harvest One's existing cash reserves and its ability to raise capital in Canada, being a more established market than Australia for companies operating in cannabis-related sectors.
Maintains MMJ's significant influence over Harvest One	The Proposed Transaction will increase MMJ's shareholding from 30.7% to 34.5% of the issued common shares in Harvest One, or from 24.9% to 28.3% on a fully diluted basis.
Exchanges an illiquid investment in PhytoTech for cash and marketable shares	The Proposed Transaction will result in MMJ holding additional cash and common shares in Harvest One, which can be traded in a liquid market. Accordingly, MMJ will have the ability to sell these Harvest One shares, if it so chooses, in order to increase funds available to make further investments in other companies in cannabis-related sectors, in line with its strategy.

2.14 The key disadvantages of the Proposed Transaction are:

Table 3 Disadvantages of the Proposed Transaction

Disadvantage	
Loss of control over PhytoTech's R&D programme	MMJ will no longer have control over the strategic direction and R&D programme of PhytoTech, despite maintaining an effective interest in PhytoTech through its shareholding in Harvest One. Harvest One may have different objectives and priorities, including with respect to the deployment of capital, and there is no guarantee as to the level of funding which will be provided by Harvest One to fund PhytoTech's ongoing or future R&D activities.
Reduction in financial benefit if PhytoTech is successful in bringing new products to market	The Proposed Transaction will result in MMJ's effective interest in PhytoTech reducing from 100% to 34.5%. If PhytoTech is successful in developing, gaining approval for and bringing to market new products, MMJ will therefore not gain the full benefit of the potential income which may accrue to PhytoTech through royalty income or partnering arrangements.
Increased concentration of MMJ's investment portfolio	The Proposed Transaction will increase the concentration of MMJ's investments in a single company, Harvest One, which we estimate will increase to represent over 78%[1] of the market value of MMJ's investment portfolio.

[1] Based on our assessed market value of MMJ's existing shareholding in Harvest One (A$43.1m - 45.1m), the assessed value of MMJ's other investments (A$14.2m) and the value of the Share Consideration (A$7.2m).

2.15 In our opinion, the position of the Non-Associated Shareholders of MMJ if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of MMJ.

3. Summary of Proposed Transaction

Overview

3.1 MMJ has entered into a binding share sale agreement ("Sale Agreement") in which it has agreed to sell its wholly-owned subsidiary PhytoTech to Harvest One for total consideration of C$8 million, subject to obtaining the approval of MMJ shareholders and to fulfilment of certain regulatory and other conditions.

3.2 The Consideration is payable as follows:

Table 4 Summary of Consideration payable

Consideration payable by Harvest One to MMJ (C$ million)	Cash	HVT Shares	Total
At Settlement	1.0	7.0	8.0
TOTAL	**1.0**	**7.0**	**8.0**

3.3 The number of Harvest One common shares to be issued at settlement will be calculated on the basis of an issue price based on the 10-day volume weighted average price ("VWAP") immediately prior to settlement of the Proposed Transaction.

3.4 Under an existing agreement between PhytoTech and Yissum Research Development Company of the Hebrew University of Jerusalem Ltd ("Yissum"), an 'exit fee' equivalent to 2% of the Consideration will be payable to Yissum. The total amount of this exit fee will be C$160,000 (approximately A$165,500), comprising cash of C$20,000 (A$20,700) and HVT shares with a value of C$140,000 (A$144,800).

3.5 The disposal of PhytoTech is consistent with MMJ's strategic intent to operate as a global cannabis investment company with a portfolio of minority investments, rather than having control over its investments, as announced on 10 October 2017, and pursuant to which it has made a number of investments since that date, as set out in paragraph 5.9.

3.6 The ASX has advised that it considers the Proposed Transaction will result in MMJ becoming an Investment Entity (as defined in the ASX Listing Rules) and will amount to a significant change in the nature of the Company's current activities. Consequently, MMJ will be required to obtain approval from its shareholders for the proposed change in its activities and will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Key conditions of the Proposed Transaction

3.7 Completion of the Proposed Transaction is subject to and conditional upon a number of conditions precedent, including:

- MMJ obtaining all necessary shareholder approvals;
- Conversion of the balance of all intercompany loans between MMJ as the lender and PhytoTech as the borrower into PhytoTech shares;
- Conditional approval being received from the ASX for MMJ's securities to be reinstated to trading on the ASX (after MMJ re-complies with Chapters 1 and 2 of the Listing Rules); and
- Conditional approval of the TSX Venture Exchange ("TSX-V") for the listing of the Harvest One shares issuable as part of the Consideration.

3.8 In order to comply with the requirements of Chapters 1 and 2 of the Listing Rules as an investment entity, MMJ will need to demonstrate that it has net tangible assets of at least A$15 million at the time of re-compliance. As at 31 December 2017, MMJ's consolidated financial statements showed net tangible assets of A$37.1 million.

Rationale for the Proposed Transaction

3.9 Completion of the Proposed Transaction will enable MMJ to focus its resources on its strategy of actively managing a portfolio of minority investments in companies associated with the cannabis sector. At present, PhytoTech requires significant MMJ management time, resources and funding. PhytoTech is expected to continue to require funding and operate at an annual net loss over the next few years, having regard to the substantial funding required to complete clinical trials, achieve regulatory approvals and bring a therapeutic product to market.

Impact of Proposed Transaction on MMJ's capital structure

3.10 There will be no impact of the Proposed Transaction on MMJ's capital structure.

4. Scope of the Report

ASX Listing Rules

4.1 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a substantial shareholder, a related party or any of its associates without the approval of holders of the entity's ordinary securities.

4.2 An asset is considered "substantial" if its value, or the value of the consideration for it is, or in the ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest financial statements given to the ASX under the ASX Listing Rules.

4.3 The ASX has advised the Company that Listing Rule 10.1 applies to the Proposed Transaction as PhytoTech is deemed to be a substantial asset being divested to Harvest One, which the ASX considers to be a person of influence.

4.4 The equity of MMJ as at 31 December 2017, as recorded in the Company's financial statements for the half-year ended 31 December 2017, was approximately A$50.7 million. We have assessed the gross value of the Consideration that the Company will receive pursuant to the Proposed Transaction as being A$8.11 million. As such, the value of the Consideration exceeds 5% of the value of the Company's equity.

4.5 ASX Listing Rule 10.10 states that the notice for the shareholders' meeting required under ASX Listing Rule 10.1 must include a report on the transaction from an independent expert. The report must state whether, in the expert's opinion, the transaction is fair and reasonable to the Non-Associated Shareholders.

4.6 Accordingly, MMJ is to hold a meeting of its Shareholders where it will seek approval for the Proposed Transaction and the Company has engaged RSM to prepare a report which sets out our opinion as to whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

Basis of evaluation

4.7 In determining whether the Proposed Transaction is "fair" and "reasonable" we have had regard to the guidance and views expressed by ASIC in RG 111.

4.8 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

4.9 RG 111 states that the expert's report should focus on:

- the issues facing the security holders for whom the report is being prepared; and
- the substance of the transaction rather than the legal mechanism used to achieve it.

4.10 RG 111 states that, in relation to a related party transaction, the expert's assessment of fair and reasonable should not be applied as a composite test – that is, there should be a separate assessment of whether the transaction is "fair" and whether it is "reasonable", as in a control transaction.

4.11 Consistent with the guidelines in RG 111, in assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis we have undertaken is as follows:

- an assessment of the fair market value of PhytoTech and of the Consideration, in order to assess whether the value of the Consideration is more than the value of PhytoTech – fairness; and
- a review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction – reasonableness.

4.12 The other significant factors to be considered include:

- the future prospects of the Company if the Proposed Transaction does not proceed; and
- any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

4.13 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

5. Profile of MMJ

Background

5.1 MMJ PhytoTech Limited ("MMJ") is an Australian public company listed on the ASX and based in Sydney. As at 27 July 2018 MMJ had a market capitalisation of approximately $57m.

5.2 MMJ was incorporated on 14 August 2014 and was admitted to the official list of the ASX on 22 January 2015, initially under the name PhytoTech Medical Limited (ASX: PYL), raising $5.9 million from its initial public offering. At the time of listing, PhytoTech Therapeutics Limited, an Israeli company specialising in research and development of clinical products using medical cannabis, was the Company's sole operating subsidiary.

5.3 In March 2015, the Company announced a merger with MMJ Bioscience Inc., a medical cannabis company based in Canada, which had two subsidiaries: United Greeneries Holdings Ltd (a cultivation business based in Canada) and Satipharm AG (a pharmaceutical and nutraceutical business based in Switzerland). Following completion of this transaction in July 2015, the Company changed its name to MMJ PhytoTech Limited (ASX: MMJ). The Company also raised additional capital of $4.8 million at this time, by way of a share placement.

5.4 Between August 2015 and December 2016, the Company completed a number of further capital raisings.

5.5 In December 2016, MMJ entered into a share sale agreement with Harvest On Cannabis Inc. ("Harvest One") to sell its wholly owned subsidiaries United Greeneries Holdings Ltd and Satipharm AG ("Satipharm") in consideration for the issue of 53.333 million HVT common shares and C$2 million in cash. As a result of this transaction, which settled in April 2017, MMJ initially held approximately 60% of the issued common shares in Harvest One. Since that date, MMJ's shareholding in Harvest has reduced to 30.7% of the total issued share capital, following further capital raisings by Harvest One and the conversion of convertible debentures into Harvest One common shares.

5.6 Until late 2017, the Company's strategy focused on establishing a vertically integrated "Farm to Pharma" business model, with operations across all parts of the cannabis supply chain, from growing operations, development of cannabinoids-based drug products, production and commercialisation of medical cannabis products, and distribution in regulated markets worldwide.

5.7 On 10 October 2017, MMJ announced its intention to shift its focus to that of a global cannabis investment company, targeting the full range of emerging cannabis-related sectors including healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment, R&D, hemp food products and retail.

5.8 Between November 2017 and July 2018, MMJ has made a number of investments in emerging companies in cannabis-related sectors, further details of which are provided in paragraphs 5.9 and 5.10 below.

5.9 As at the date of this Report, MMJ's existing investments are:

Table 5 MMJ investments as at 27 July 2018

Investment	Description
PhytoTech (Israel) *(100% owned subsidiary)*	Company focused on developing and commercialising cannabis-based therapeutics products and in conducting research and development, and clinical development activities. Further details of PhytoTech are provided in Section 6 of this report.
Harvest One (Canada) *(MMJ owns 53.33 million shares, approximately 30.7% shareholding (24.8% fully-diluted) prior to the issue of shares to MMJ as part of the Proposed Transaction*	Canadian cannabis cultivation and products company. Further details of Harvest One are provided in Section 7 of this report.
Weed Me Inc. (Canada) *(MMJ holds a C$2 million secured convertible note convertible into 3.46 million shares at C$0.577/share and 3.46 million warrants at C$0.866/share)*	Canadian cannabis cultivation company.
Fire & Flower Inc. (Canada) *(MMJ owns 1.25 million shares, 1.6% shareholding, plus 1.25 million warrants at an exercise price of C$1.05/share)*	Canadian corporate retail cannabis store chain. The investment in Fire & Flower was made in April 2018 for C$1 million.
Biologics Research Institute Australia Pty Ltd **(Cannabis Access)** (Australia) *(MMJ owns 16.7% shareholding)*	Cannabis Access is the leading online portal for medical cannabis access and clinics in Australia. The investment in Biologics Research Institute Australia was made in April 2018 for A$1 million.
Martha Jane Medical Limited (Australia) *(MMJ owns 12.5% shareholding)*	MMJ invested A$0.6 million of seed capital in May 2018 in this privately-held company, which holds an Australian medical cannabis licence for research purposes and has a 5-year memorandum of understanding with the University of Tasmania to develop proprietary extraction processes.
Bien Ventures Ltd (Canada) *(MMJ owns 12.7% plus 2.8 million warrants at an exercise price of C$0.35)*	MMJ invested C$0.7 million in this private company which is currently focused on exploiting the intellectual property ("IP") for its formulation and brand of soluble, odourless and flavourless "micro-dosed" CBD and THC powders that can be added to any beverage or food by a consumer. This investment was made in June 2018.
BevCanna Enterprises Inc (Canada) *(MMJ owns 3.6%)*	MMJ invested C$0.5 million in this Canadian based private company that intends to become a fully vertically-integrated premium-based cannabis infused beverage manufacturer. This investment was made in June 2018.
Medipharm Labs Inc (Canada) *(MMJ owns 6.9%)*	MMJ invested C$5 million in this private Canadian company that owns a large medical cannabis oil production facility in Canada. This investment was made in July 2018.
Embark Health Inc (Canada) *(MMJ owns 2.5%)*	MMJ invested C$0.15 million in this private Canadian company as part of its seed funding round. The company is aiming to capitalise on the legalisation of Canada's recreational cannabis market through building an extraction facility, and producing and selling high margin cannabis products. The investment was made in July 2018.

5.10 In May 2018, MMJ divested two recent portfolio investments as part of its strategy to recycle capital:

a) **Dosecann Inc.** – MMJ invested C$2.5 million in Dosecann in January 2018, acquiring C$2.5 million of unsecured convertible debentures with 1.25 million attaching warrants. In May 2018 this investment was acquired by Cannabis Wheaton Income Corp ("CBW") (TSX-V:CBW) for consideration of 3.12 million CBW common shares and 1.56 million warrants to purchase CBW shares at C$0.962/share. The total consideration on sale to CBW was valued at C$5.9 million, based on CBW's share price at the date of sale. MMJ subsequently sold its CBW shares and warrants for net proceeds of C$5.6 million (A$5.83 million) in May 2018; and

b) **e-Sense Lab Limited** ("e-Sense Lab"), an Israeli life sciences company listed on the ASX. MMJ participated in a placement by e-Sense Lab in November 2017, investing A$0.5 million to subscribe for 2.5 million shares. The shares were sold for $0.2 million cash in May 2018. The Company received a further $0.2 million from e-Sense Lab as consideration for not receiving options, which were a condition of the agreement for the acquisition of the e-Sense Lab shares in November 2017.

Relationship with Harvest One

5.11 Following the successful listing of MMJ's core cannabis brands, United Greeneries Holdings Ltd and Satipharm AG on the TSX-V through Harvest One in April 2017, MMJ included the assets, liabilities, income and expenditure of Harvest One in its consolidated group accounts for all periods up to 31 December 2017, on the basis that Harvest One was a controlled entity of MMJ.

5.12 Circumstances have subsequently changed such that the directors of MMJ no longer consider that it exerts effective control over Harvest One on the basis that:

- MMJ's shareholding has reduced to approximately 30.7% of the issued common shares in Harvest One (24.9% on a fully diluted basis); and
- The Boards of MMJ and Harvest One have changed such that there is only one common director, Mr Peter Wall, who is chairman of both companies.

5.13 Harvest One will therefore no longer be included in MMJ's consolidated financial statements with effect from 28 February 2018.

5.14 The table below shows MMJ's current shareholding in Harvest One and its expected shareholding on settlement of the Proposed Transaction, based on the actual number of common shares on issue and on a fully-diluted basis:

Table 6 MMJ shareholding in Harvest One

Shareholder	No. of HVT shares on issue	%	No. of HVT shares on a fully diluted basis	%
MMJ				
Current	**53,333,333**	**30.7**	**53,333,333**	**24.9**
Share Consideration[1]	10,447,761		10,447,761	
Less: shares to be issued to Yissum[2]	(208,955)		(208,955)	
On settlement of the Proposed Transaction	**63,572,139**	**34.5**	**63,572,139**	**28.3**
Other shareholders				
Current	**120,288,119**	**69.3**	**161,595,815**	**75.1**
Yissum	208,955		208,955	
On settlement of the Proposed Transaction	**120,497,074**	**65.5**	**161,804,770**	**71.7**
Total				
Current[3]	**173,621,452**	**100.0**	**214,498,102**	**100.0**
On settlement of the Proposed Transaction	**184,069,213**	**100.0**	**224,945,863**	**100.0**

Notes:

1. The number of Harvest One shares to be issued to MMJ as Share Consideration in the above table assumes a share price of C$0.67 per HVT Share, being the closing price on 27 July 2018.

2. Under the terms of a licensing and research agreement with Yissum Research Development Company of the Hebrew University of Jerusalem Ltd (“Yissum”), 2% of the Cash Consideration and 2% of the Share Consideration are required to be paid/issued to Yissum.

3. As at 30 June 2018.

Directors and management

5.15 The directors and key management of MMJ are:

Table 7 Directors of MMJ

Name	Title	Description
Peter Wall	Non- Executive Chairman	Mr Wall was appointed as Non-Executive Chairman on 14 August 2014. He is also the chairman of Harvest One. Mr Wall is a corporate lawyer and has been a Partner at Steinepreis Paganin since July 2005. In addition to his legal and corporate governance background, Mr Wall has experience in the medical cannabis space. He is also the Chairman of unlisted AFSL corporate authorised representative Sharequity Pty Ltd and has previously acted as Chairman of an unlisted fund, Stoicus Funds Management.
Winton Willesee	Non-Executive Director	Mr Willesee was appointed as Non-Executive Director on 21 October 2014. He is a company director with a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee has experience with ASX listed companies and is licensed to provide investment advice as an authorised representative under an AFSL.
Doug Halley	Non-Executive Director	Mr Halley was appointed as Non-Executive Director on 16 March 2018. He is a company director and has also served for 30 years as CFO or CEO in a number of commercial enterprises and investment banks obtaining additional experience in portfolio management and advisory services. Mr Halley was Chairman of the ASX listed DUET Group entities between 2006 and 2017 which managed infrastructure investments in Australia and USA. Mr Halley has been Chairman of Investment Committee for N V Phillips Australia superannuation fund and the Thomson Australia superannuation fund and a director of various Javelin and Five Arrows public investment trusts managed by N M Rothschild Australia.
Jason Conroy	Chief Executive Officer	Mr Conroy is a senior executive and board member. He was appointed CEO in February 2018. Prior to joining MMJ, he was CFO of DUET Group, a former member of the ASX100, for nine years to May 2017. Mr Conroy has also gained experience from roles in restructuring, advisory, venture capital, corporate development and corporate finance in Australia and overseas.
Jim Hallam	Chief Financial Officer	Mr Hallam has 20 years of experience in the investment management industry with alternative asset fund managers in Australia and overseas including Hastings Funds Management and Annuity Australia. His roles include acting as responsible manager, investment manager and CFO within alternative asset fund managers.

Financial information of MMJ

5.16 The information in the following section provides a summary of the financial performance of MMJ for the two years ended 30 June 2016 (“FY16”) and 30 June 2017 (“FY17”) extracted from the audited consolidated financial statements of the Company, and the six month period ended 31 December 2017 (“HY18”) extracted from the reviewed half-year consolidated financial report of the Company. It also provides a summary of the consolidated financial position of MMJ as at 30 June 2017 and 31 December 2017, extracted from the same sources.

5.17 The auditor of MMJ, BDO Audit (WA) Pty Ltd, has issued unqualified audit opinions on the financial statements for the years ended 30 June 2017 and 30 June 2016 and an unqualified review opinion on the financial statements for the six months ended 31 December 2017.

5.18 For accounting purposes, the Company was deemed to have effective control over Harvest One throughout the period from April 2017, when it acquired a shareholding in Harvest One, to 28 February 2018. The consolidated financial information set out in paragraphs 5.20 and 5.27 below therefore incorporates 100% of the assets, liabilities, income and expenses of Harvest One, and shows separately the share of comprehensive income and the share of net assets attributable to non-controlling interests.

5.19 In addition to the change in accounting treatment with respect to MMJ’s shareholding in Harvest One, the Company has made a number of investments in other companies since 31 December 2017, as well as divesting its existing investments in Dosecann Inc. and e-Sense Lab. For information purposes, we have therefore set out in paragraph 5.42 the unaudited pro forma balance sheet prepared by MMJ management as at 31 December 2017, which incorporates adjustments for the deconsolidation of Harvest One and the investments and divestments made by MMJ since 31 December 2017.

Financial performance

5.20 The following table sets out a summary of the consolidated financial performance of MMJ for the years ended 30 June 2016 and 30 June 2017, and for the six months ended 31 December 2017.

Table 8 MMJ historical financial performance

A$000	Ref	6 months ended 31-Dec-17 Reviewed	Year ended 30-Jun-17 Audited	Year ended 30-Jun-16 Audited
Sales revenue	5.22	**182**	**76**	**255**
Cost of sales		(516)	(102)	(331)
		(334)	(26)	(76)
Interest income		64	46	37
(Loss)/gain on contingent deferred consideration shares	5.23	(674)	(729)	812
Gains on changes in fair value of biological assets	5.24	1,120	-	-
Expenses				
Employee and director related expenses		(1,663)	(2,171)	(2,070)
Depreciation and amortisation expense		(522)	(1,101)	(68)
Finance costs		(770)	(82)	(56)
Marketing and investor relations		(419)	(639)	(429)
Impairment of investment in other entities		-	-	(209)
Acquisition introduction fee expense		-	-	(620)
Administration expenses		(1,213)	(2,121)	(1,326)
Consultancy and legal expenses		(589)	(1,319)	(713)
Research and development expense		(182)	(518)	(503)
Compliance and regulatory expenses		(258)	(257)	(335)
Equity based payments expense	5.25	(7,356)	(3,143)	(1,224)
Net foreign exchange loss		(94)	(545)	(19)
Impairment of intangible assets	5.26	-	-	(7,876)
Impairment of inventory		(214)	(735)	-
Selling and distribution expenses		-	-	(24)
Listing fee expenses		-	(804)	-
Loss before income tax expense		**(13,104)**	**(14,144)**	**(14,699)**
Income tax		-	-	-
Loss after income tax for the period		**(13,104)**	**(14,144)**	**(14,699)**
Other comprehensive income				
Foreign currency translation		470	261	222
Changes in the fair value of available for sale financial assets		250	-	-
Total comprehensive income/(loss) for the period		**(12,384)**	**(13,883)**	**(14,477)**
Attributable to:				
Non-controlling interest		(2,482)	(1,666)	-
Owners of MMJ		(9,902)	(12,217)	(14,477)
Total comprehensive income/(loss) for the period		**(12,384)**	**(13,883)**	**(14,477)**

Source: Company Financials

5.21 MMJ incurred a loss before tax of A$13.1 million in the half-year ended 31 December 2017, following losses before tax of A$14.1 million and A$14.7 million in the years ended 30 June 2017 and 30 June 2016, respectively.

5.22 Sales revenue relates to the sale of CBD Gelpell pills in the European market and, since May 2017, in Australia. MMJ entered into a binding letter of intent with HL Pharma Pty Ltd ("HL Pharma") in February 2017 for the importation and distribution of Satipharm's cannabis products in Australia. In May 2017, HL Pharma completed the importation of its first shipment of Gelpell-CBD capsules. Gelpell-CBD capsules are one of the first medicinal cannabis products available to approved prescribers in Australia.

5.23 The deferred consideration shares relate to the amalgamation agreement between the Company and MMJ Bioscience Inc. for the acquisition of MMJ Bioscience Inc. in 2015. The Company recognised a potential liability for the issue of up to 17 million shares to be issued to the vendors. The first milestone was achieved and 8.5 million shares issued in July 2016. The remaining 8.5 million consideration shares were revalued at 30 June 2017 and 31 December 2017 based on the prevailing MMJ share price and management expectations of achieving the second milestone. The second milestone is MMJ Bioscience Inc. achieving revenue of more than C$5 million within three years of the acquisition, i.e. by 31 July 2018. MMJ management has informed us that this milestone was not achieved.

5.24 The biological assets held by MMJ relate to seeds and medical cannabis plants. A change in fair value was recognised in the six months to 31 December 2017 as a result of biological transformation, with the growth of plants increasing the anticipated yields.

5.25 Of the A$7.4 million share-based payments expense recognised in the six months to 31 December 2017, A$5.8 million was recognised following the vesting of approximately 12.38 million performance rights held by directors and certain employees of the Company. The performance rights were issued in three tranches and had a range of performance and service conditions attached to them.

5.26 An impairment of intangible assets of approximately A$7.9 million was recorded in the year ended 30 June 2016 as a result of a reduction in Satipharm's pill sales forecast, due to lower than anticipated revenues generated by that business in the year ended 30 June 2016.

Financial position

5.27 The table below sets out a summary of the consolidated financial position of MMJ as at 30 June 2017 and 31 December 2017.

Table 9 MMJ historical financial position

A$000	Ref	31-Dec-17 Reviewed	30-Jun-17 Audited
Assets			
Cash and cash equivalents		36,106	23,801
Trade and other receivables	5.29	766	434
Inventories	5.30	2,100	1,242
Biological assets	5.31	337	81
Available for sale financial assets	5.32	750	-
Total current assets		**40,059**	**25,558**
Convertible debentures receivable	5.33	2,049	-
Property, plant and equipment	5.34	8,522	8,252
Intangibles	5.35	8,826	8,661
Goodwill	5.36	4,781	4,735
Other		37	37
Total non-current assets		**24,215**	**21,685**
Total assets		**64,274**	**47,243**
Liabilities			
Trade and other payables	5.37	1,576	1,132
Deferred consideration	5.38	2,666	1,992
Current Liabilities		**4,242**	**3,124**
Convertible debentures liability	5.39	7,089	-
Deferred tax	5.40	2,244	2,244
Total non-current liabilities		**9,333**	**2,244**
Total Liabilities		**13,575**	**5,368**
Net assets		**50,699**	**41,875**
Equity			
Issued capital		45,796	44,954
Reserves		29,451	17,417
Accumulated losses		(42,928)	(32,306)
Equity attributable to the owners of MMJ		32,319	30,065
Non-controlling interest		18,380	11,810
Total equity		**50,699**	**41,875**

Source: Company Financials

5.28 At 31 December 2017, MMJ had consolidated net assets of A$50.7 million, of which A$32.3 million was attributable to MMJ shareholders. MMJ's assets at that date predominantly comprised cash of A$36.1 million, property, plant and equipment of A$8.5 million, goodwill of A$4.8 million and other intangible assets of A$8.8 million. Its liabilities at that date included convertible debentures of A$7.1 million. Net tangible assets of MMJ as at 31 December 2017 totalled A$37.1 million.

5.29 Trade and other receivables relate to GST recoverable and prepayments.

5.30 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. Impairment charges of A$0.75 million recorded in FY17 and A$0.21 million in HY18 were incurred on inventory assets held by Satipharm.

5.31 Biological assets relate to seeds and medical cannabis plants.

5.32 Financial assets held for sale at 31 December 2017 comprise the investment in eSense-Lab (ASX: ESE), comprising 2.5 million ordinary shares issued at A$0.20 per share, for total consideration of A$500,000. This investment was carried at revalued amount of A$750,000 at 31 December 2017, based on the prevailing share price at that date, and was subsequently sold in May 2018.

5.33 The convertible debenture relates to MMJ's investment in Weed Me Inc. The debentures attract an interest rate of 8% per annum and have a maturity date of two years from the date of issue.

5.34 In May 2017, Harvest One purchased the land and buildings it previously leased, in which its Canadian cannabis growing operations reside, for C$3 million. The balance relates to property improvements, plant and equipment.

5.35 Intangible assets predominantly relate to a Marijuana for Medical Purposes Regulations ("MMPR") cultivation licence for the Group's Duncan Facility in Canada, which was awarded in 2016. This facility is owned and operated by United Greeneries, a wholly owned subsidiary of Harvest One.

5.36 Goodwill was recognised in connection with the acquisition of United Greeneries Holdings Ltd and Satipharm AG by Harvest One from MMJ in April 2017. The carrying values of both were supported by independent valuations of the businesses as at 30 June 2017.

5.37 Trade and other payables comprise trade payables, accrued expenses and payroll liabilities.

5.38 The deferred consideration liability relates to 8.5 million MMJ shares which are no longer expected to be issued and which formed part of the acquisition of MMJ Bioscience Inc in 2016, as detailed in paragraph 5.23, in addition to a further 255,000 ordinary shares issuable (subject to the same performance conditions which were not met) to parties who facilitated the introduction of parties and facilitated the transaction.

5.39 The convertible debentures were issued by Harvest One in December 2017. They mature in 2022 and bear interest at 8% per annum. In March 2018 completed a mandatory conversion of these convertible debentures into Harvest One common shares.

5.40 During the year ended 30 June 2017, the Company changed its accounting policy for recognising deferred tax liabilities with respect to intangibles with an indefinite useful life, and consequently recognised a deferred tax liability of A$2.24 million in connection with the Duncan facility licence, which is carried as an intangible asset in the balance sheet.

5.41 Since 31 December 2017, there have been a number of significant events which have had an impact on MMJ's consolidated balance sheet, including the issue of additional ordinary shares as a result of the exercise of options and performance rights, the acquisition of minority investments in a number of companies in the cannabis industry, and the divestment of the Company's investments in Dosecann Inc. and e-Sense Lab Limited. Details of new investments during this period are set out in paragraph 5.9, and details of divestments are set out in paragraph 5.10. Details of the issue of shares between 1 January and 30 June 2018 are set out in paragraph 5.43.

Pro forma financial position

5.42 The table below sets out a summary of the financial position of MMJ as at 31 December 2017 including, on a pro forma basis, management adjustments to show changes in the Company's financial position arising from the deconsolidation of Harvest One and certain subsequent events (including investments and divestments made by MMJ) since 31 December 2017. The adjustments made by management are consistent with those set out in the pro forma financial information in Schedule 2 to the Notice of Meeting.

Table 10 MMJ Pro Forma Financial Position as at 31 December 2017

A$000	31-Dec-17 Reviewed[1]	31-Dec-17 HVT deconsolidated[3]	Subsequent Events[4]	31-Dec-17 Pro forma
Assets				
Cash and cash equivalents	36,106	6,433	(5,456)	977
Trade and other receivables	766	119	-	119
Inventories	2,100	-	-	-
Biological assets	337	-	-	-
Available for sale financial assets[2]	750	58,971	(4,170)	54,801
Total current assets	**40,059**	**65,523**	**(9,627)**	**55,897**
Other investments	2,049	-	-	-
Property, plant and equipment	8,522	5	-	5
Intangibles	8,826	-	-	-
Goodwill	4,781	-	-	-
Other	37	37	-	37
Total non-current assets	**24,215**	**42**	**-**	**42**
Total assets	**64,274**	**65,565**	**(9,627)**	**55,938**
Liabilities				
Trade and other payables	1,576	273	-	273
Deferred consideration	2,666	2,666	(2,666)	-
Current Liabilities	**4,242**	**2,939**	**(2,666)**	**273**
Convertible debentures liability	7,089	-	-	-
Deferred tax	2,244	6,031	(2,966)	3,066
Total non-current liabilities	**9,333**	**6,031**	**-**	**3,066**
Total Liabilities	**13,575**	**8,970**	**(2,666)**	**3,339**
Net assets	**50,699**	**56,595**	**(3,995)**	**52,872**

Notes:

1. The reviewed financial position as at 31 December 2017 is extracted from MMJ's interim financial statements for the six months ended 31 December 2017.
2. The pro forma financial position classifies all minority investments held by MMJ, including its shareholding in Harvest One, as "available for sale financial assets".
3. The "HVT deconsolidated" financial position excludes the assets and liabilities of Harvest One and instead includes the carrying value of MMJ's investment in Harvest One as an "available for sale financial asset". The value of this investment assumes a market value of C$1.05 per HVT Share and a foreign exchange rate of A$1.00:C$1.003, being the applicable amounts as at 28 February 2018, being the date on which the directors of MMJ have determined that it ceased to have effective control over Harvest One.

4. Subsequent events comprise the following adjustments, further details of which are set out in Schedule 2 to the Notice of Meeting:

   a. all new investments made by MMJ between 31 December 2017 and the date of this report;

   b. the divestment of MMJ's investments in Dosecann Inc. and e-Sense Lab;

   c. the change in value of MMJ's investment in Harvest One between 28 February 2018 and 30 June 2018;

   d. the issue of new shares (as detailed in paragraph 5.43); and

   e. the elimination of the $2.7 million liability for deferred consideration payable in connection with the MMJ Bioscience merger, which will not be payable as the relevant milestones were not met (see paragraph 5.23).

Funding

5.43 The following securities have been issued by MMJ since 31 December 2017:

- 12 January 2018 - 2,036,885 shares issued comprising 1,036,885 on exercise of 1,036,885 Class F Options at $0.45/option raising a total of $466,598 and 1,000,000 upon exercise of 1,000,000 Class I Options at $0.24/option raising a total of $240,000.
- 1 February 2018 – 900,000 shares issued on exercise of Class B options at $0.20/share to raise $180,000, 250,000 shares issued on exercise of Class F options at $0.45/share to raise $112,500 and 1,500,000 Class K Options issued for nil cash consideration under the Company's employee incentive plan.
- 2 May 2018 – 4,625,000 shares issued for nil cash consideration upon the conversion of 1,625,000 Class E, 1,500,000 Class F and 1,500,000 Class G Performance Rights; and 2,000,000 of each of Class H, I and J Performance Rights under the Company's Performance Rights Plan issued for cash consideration of $0.0001 per Performance Right to raise a total of $600.
- 12 April 2018 – 500,000 shares issued on exercise of Class E options at $0.20/share to raise $100,000.
- 15 June 2018 - 833,333 Class H Performance Rights, 833,333 Class I Performance Rights and 833,334 Class J Performance Rights under the Company's Performance Rights Plan were issued for cash consideration of $0.0001 per Performance Right raising a total of $250.
- 6 July 2018 – 8,750,000 shares issued in total. 7,750,000 shares issued for nil cash consideration upon the conversion of 2,500,000 Class E, 2,625,000 Class F and 2,625,000 Class G Performance Rights. 1,000,000 shares issued on exercise of Class I options at $0.24/share to raise $240,000.

Capital structure

5.44 MMJ had 230,148,985 ordinary shares on issue as at 12 July 2018. The top 20 shareholders of MMJ as at 12 July 2018 are set out below.

5.45 As shown in the table below, there were no substantial shareholders holding in excess of 5 per cent of the Company's ordinary shares as at 12 July 2018.

Table 11 MMJ Top 20 shareholders as at 12 July 2018

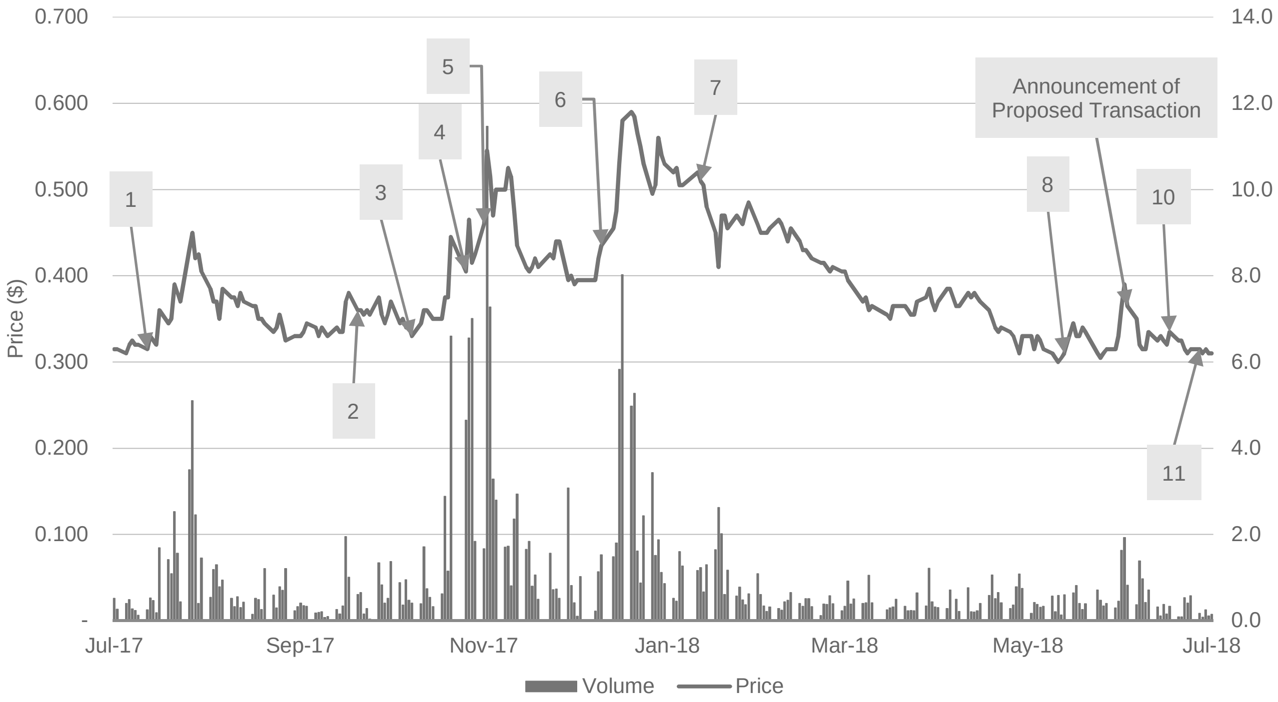
Rank	Name	No. of shares	% Issued Share Capital
1	PHEAKES PTY LTD <SENATE A/C>	8,500,000	3.69%
2	INTERNATIONAL WATER & ENERGY SAVERS LTD	5,700,000	2.48%
3	CITICORP NOMINEES PTY LIMITED	5,588,307	2.43%
4	GREENLINE HOLDINGS PTY LTD	4,913,699	2.14%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,887,466	1.69%
6	UNITED TROLLEY COLLECTIONS P/L	2,700,400	1.17%
7	GUIDO WIESMANN	1,939,402	0.84%
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAIL CLIENT DRP>	1,717,353	0.75%
9	BOND STREET CUSTODIANS LIMITED <SHBC1-V13134 A/C>	1,600,000	0.70%
10	SILVERINCH PTY LIMITED <THE SILVERINCH S/F A/C>	1,500,000	0.65%
10	JASON BEDNAR	1,500,000	0.65%
11	JP MORGAN NOMINEES AUSTRALIA LIMITED	1,188,064	0.52%
12	MR WON JUN CHUNG	1,080,000	0.47%
13	JASON BEDNAR	1,026,522	0.45%
14	STAINISLAV SOLOGUBOV	1,000,000	0.43%
14	STONE SUPERANNUATION INVESTMENTS PTY LTD <THE STONE SUPER FUND A/C>	900,000	0.39%
15	HENRIK SCHREIBER	764,117	0.33%
16	MAURUS REISENTHEL	764,117	0.33%
17	ELYSIUM PACIFIC SOLUTIONS INC	705,326	0.31%
18	BNP PARIBAS NOMS PTY LTD <DRP>	638,417	0.28%
19	SUZANNE O'DONOGHUE	603,761	0.26%
20	MS CHO YIN PANG & MR BERTY CHUNG	550,000	0.24%
20	DIFFERENT BEAT PTY LTD <E&M SUPERANNUATION A/C>	550,000	0.24%
	Total Top 20 shareholding	**49,316,951**	**21.43%**
	Others	180,832,034	78.57%
	Total issued capital	**230,148,985**	**100.0%**

Source: Company

Share price performance

5.46 The figure below sets out a summary of MMJ closing share prices and traded volumes for the 12 months to 20 July 2018.

Figure 1 MMJ daily closing share price and traded volumes



Source: S&P Capital IQ/ ASX

5.47 In the 12-month period prior to the announcement of the Proposed Acquisition on 25 June 2018, MMJ Shares have been volatile, trading between $0.59 and $0.305 per share. Over the 180 trading days prior to the announcement, a total of 91.97% of MMJ's Shares were traded, indicating that it is a liquid stock.

5.48 The most significant trading day occurred on 21 November 2017, when 5.42% of MMJ's total share volume was traded.

5.49 The most significant trading days over this period have been noted in the graph above and are analysed as follows:

1. On 31 July 2017, MMJ released its quarterly update for the period ended 30 June 2017, which highlighted some of the Company's key achievements, including successful listing of subsidiaries United Greeneries and Satipharm on the TSX-V under Harvest One;
2. On 10 October 2017, MMJ announced that following the successful listing of United Greeneries and Satipharm on the TSX-V through Harvest One, its strategy had changed to focus on early stage investment opportunities in companies spanning the entire cannabis value chain;
3. On 27 October 2017, MMJ released its 2017 Annual Report to Shareholders, citing a 229% increase in the Company's net assets compared to 30 June 2016;
4. On 14 November 2017, MMJ announced that it had agreed to invest A$500,000 in ASX listed Israeli life sciences company eSense-Lab Limited for a 3.51% shareholding;
5. On 21 November 2017, MMJ announced that Harvest One subsidiary United Greeneries had entered a letter of intent with a third party for the lease of a property in Chemainus, British Columbia, to accelerate and expand its production capacity;

6. On 29 December 2017, MMJ announced that it had finalised due diligence and executed formal agreements to subscribe for C$2 million in secured convertible debentures in Toronto-based company, Weed Me Inc;
7. On 31 January 2018, MMJ announced, via PhytoTech, its Phase 2 clinical trial update which highlighted favourable initial results including a reduction in seizure frequency in children with treatment-resistant epilepsy; and
8. On 31 May 2018, MMJ announced that it had invested A$0.6 million of seed capital for a 12.5% shareholding in privately-held Martha Jane Medical Limited, a company which holds an Australian cannabis licence for research purposes.
9. On 25 June 2018, MMJ announced that it had entered into a binding share sale agreement pursuant to which it has conditionally agreed to sell PhytoTech to Harvest One for total consideration of C$8 million.
10. On 2 July 2018, MMJ announced that it had invested C$5m for a 6.9% shareholding in a Canadian private company, MediPharm Labs Inc, which owns the largest medical cannabis oil production facility in Canada.
11. On 16 July 2018, MMJ announced that it had invested C$0.15m for a 2.5% shareholding in a privately-held Canadian company, Embark Health Inc.
12. On 20 July 2018, MMJ released a portfolio update, providing details of its portfolio of investments including, in each case, the amount of capital invested and an indicative market value. The update indicated an aggregate market value for all investments of A$63.4 million, including an amount of A$8.1 million for PhytoTech (based on the terms of the Proposed Transaction).
13. On 24 July 2018, MMJ announced promising efficacy results from PhytoTech’s Phase 2 clinical trials into the use of CBD Gelpell capsules for use in treatment-resistant child epilepsy.

6. Profile of PhytoTech

Background

6.1 PhytoTech Therapeutics Limited ("PhytoTech") is a wholly-owned subsidiary of MMJ, based in Israel, which undertakes the Company's R&D and clinical development activities. PhytoTech's key focus is on adopting and developing unique oral delivery technologies which have the potential to deliver safe, effective and measured doses of medical cannabis to patients.

6.2 PhytoTech entered into a licensing and research partnership with Yissum Research Development Company of the Hebrew University of Jerusalem ("Yissum") in November 2014. Yissum was established in 1964 to protect and commercialise the Hebrew University's intellectual property. Under the agreement with Yissum (the "Yissum Agreement"), PhytoTech has licensed certain technology developed by Yissum relating to medical cannabis delivery systems.

6.3 PhytoTech's current Vice President of Research and Development, Dr Hagit Sacks will end her employment with PhytoTech at the end of August 2018. Until recently the operations of PhytoTech were overseen by MMJ's Chief Operating Officer, Catherine Harvey, whose position was made redundant as at 13 July 2018. Subject to the Proposed Transaction proceeding, these roles and functions will be taken over by Harvest One management.

6.4 Since acquiring PhytoTech at the time of listing on the ASX in January 2015, the Company has invested $4.8 million to fund its research and development activities.

Activities

6.5 PhytoTech holds the worldwide (excluding Canada) rights to develop a pharmaceutical product based on the Gelpell-CBD product technology. These rights are licensed to PhytoTech by Satipharm (a Swiss subsidiary of Harvest One), which manufactures and distributes microgel capsules containing organically derived, highly purified cannabidiol compound ("CBD").

6.6 Under an agreement with Gelpell AG ("Gelpell"), a privately-owned company based in Switzerland, Satipharm holds an exclusive licence to develop and sell products for the treatment or prevention of any medical condition or disease in humans and animals and for food and dietary supplements, using Gelpell's proprietary intellectual property ("Gelpell IP"). The Gelpell IP relates to the use of microgel capsules made of a natural polymer gelatin. Under the terms of the licence, all intellectual property generated under the licence will be jointly owned between Gelpell (50%) and Satipharm (50%), however Satipharm will maintain the exclusive right to exploit the licensed intellectual property. Satipharm has, in turn, granted PhytoTech the exclusive global rights (excluding Canada) to exploit and develop the Gelpell IP into a pharmaceutical grade product.

6.7 The first pilot batches of CBD capsules were manufactured and tested in 2015, and the CBD Gelpell product is now available in Australia and across the European Union ("EU"). A Phase 1 study on softgel capsules and Gelpell capsules was conducted in 2016.

6.8 Phase 2 clinical trials commenced in 2017 to evaluate the safety and efficacy of the Satipharm CBD capsules in treating epilepsy in children. On 24 July 2018, MMJ announced results from this clinical trial, stating that promising evidence of efficacy was demonstrated, with a significant reduction in seizure frequency in treatment-resistant children, when CBD capsules were added to current medications.

6.9 In addition, a Phase 2 clinical trial focusing on treating symptoms of pain and spasticity in multiple sclerosis patients has regulatory approval to commence, but is currently on hold pending regulatory approvals in Switzerland with respect to the handling of THC.

6.10 PhytoTech also owns the exclusive worldwide rights to exploit the Pro-Nano Lipospheres ("PNL") formulation, know-how and related patents licensed from Yissum. MMJ has sought but not received any expressions of interest from suitably qualified parties to work in partnership to develop, manufacture and market medical cannabis products based on these Yissum-licensed patents.

Financial performance

6.11 The following table sets out a summary of the financial performance of PhytoTech extracted from unaudited management accounts for the years ended 30 June 2018 and 30 June 2017 and the half-year ended 31 December 2017.

6.12 We have not undertaken a review of PhytoTech's unaudited management accounts in accordance with Australian Standard on Review Engagements 2405 '*Review of Historical Financial Information*' and therefore do not express an opinion on this financial information.

Table 12 Financial Performance of PhytoTech

A$000	Year ended	6 months ended	Year ended
	30-Jun-18	31-Dec-17	30-Jun-17
	Unaudited	Unaudited	Unaudited
Expenses			
Clinical trial expenses	365	172	441
Director and employee benefits	487	341	756
Patent expenses	10	10	77
Legal and professional fees	9	5	81
Other administration costs	20	11	52
Interest and finance fees	1	0	1
Depreciation	4	2	4
Foreign exchange	4	(1)	(13)
Loss for the period	**901**	**541**	**1,399**

6.13 PhytoTech incurred a loss before tax of A$901,000 for the year ended 30 June 2018 compared to a loss of A$1.4 million for the year ended 30 June 2017.

6.14 PhytoTech is still in the product development phase and has not generated any income to date. PhytoTech does not derive any royalty income from CBD Gelpell sales.

6.15 The most significant expense for the Business is the cost of Director and employee benefits followed by clinical trial expenses.

Financial position

6.16 The table below sets out a summary of the financial position of PhytoTech as at 30 June 2018, 31 December 2017 and 30 June 2017 as extracted from unaudited management accounts.

6.17 We have not undertaken a review of PhytoTech's unaudited management accounts in accordance with Australian Standard on Review Engagements 2405 '*Review of Historical Financial Information*' and therefore do not express an opinion on this financial information.

Table 13 Financial Position of PhytoTech

A$000	Ref	30-Jun-18 Unaudited	31-Dec-17 Unaudited	30-Jun-17 Unaudited
Assets				
Cash and cash equivalents	6.18	78	497	320
Other assets		8	10	11
Total current assets		**86**	**507**	**331**
Property, plant and equipment	6.19	3	4	6
Security deposit		37	37	37
Total non-current assets		**40**	**41**	**43**
Total assets		**125**	**548**	**374**
Liabilities				
Trade and other payables		89	129	112
Current Liabilities		**89**	**129**	**112**
MMJ loan	6.18	4,133	3,916	3,217
Total non-current liabilities		**4,133**	**3,916**	**3,217**
Total Liabilities		**4,222**	**4,045**	**3,329**
Net assets/(liabilities)		**(4,096)**	**(3,497)**	**(2,955)**

6.18 As at 30 June 2018 PhytoTech had net liabilities of $4.1 million, including $78,000 in cash and a loan owed to MMJ of $4.13 million. This loan represents funding provided by MMJ for PhytoTech's research and development activities. This loan has no fixed repayment terms and is non-interest bearing. A condition precedent to the Proposed Transaction is the conversion of the inter-company loan into shares in PhytoTech.

6.19 The company has a minor amount of property, plant and equipment as at 30 June 2018.

6.20 As at 30 June 2018, PhytoTech has not capitalised any research and development expenditure, but has recognised all such amounts as an expense in the period in which it is incurred.

7. Profile of Harvest One Cannabis Inc.

Background

7.1 Harvest One Cannabis Inc. ("Harvest One") or ("HVT") (formerly known as Harvest One Capital Inc.) is a Canadian publicly listed company that manufactures and distributes both medical and recreational cannabis products in Canada and in various countries within Europe.

7.2 In April 2017, as part of a reverse take-over transaction and listing on the TSX Venture Exchange, Harvest One acquired 100% of the issued share capital of United Greeneries Holdings Ltd ("United Greeneries") and Satipharm AG ("Satipharm") from PhytoTech Medical (UK) Ltd, a wholly owned subsidiary of MMJ. At this time, Harvest One completed a C$25 million capital raising.

7.3 In December 2017, Harvest One completed a C$20.125 million unsecured convertible debenture financing, at C$1,000 per Debenture Unit, with each unit comprising a C$1,000 principal amount of 8.0% unsecured convertible debentures (convertible at C$0.84 per common share) and 458 common share purchase warrants entitling the holder to purchase one common share at an exercise price of C$1.09 per share at any time up to 14 December 2020. The terms of the unsecured convertible debentures entitled Harvest One to force conversion if certain VWAP targets were met, and the terms of the share purchase warrants entitled Harvest One to accelerate the expiry date of the warrants if another VWAP target was met.

7.4 In January 2018, Harvest One completed a C$40.25 million capital raising, at C$1.82 per Unit, with a unit comprising one common share and one common share purchase warrant entitling the holder to purchase one common share at an exercise price of C$2.30 per share at any time up to 31 January 2020.

7.5 On 23 February 2018, Harvest One announced the mandatory conversion of its 8.0% unsecured convertible debentures into HVT common shares. The conversion of these debentures was completed in March 2018, resulting in all Harvest One borrowings being repaid.

7.6 On 29 May 2018, Harvest One completed the acquisition of Dream Water Products Canada Inc. and Sarpes Beverages, LLC (together, "Dream Water Global"), in exchange for consideration of US$12.5 million in cash and C$18.5 million in HVT shares at a deemed issue price of C$1.00 per share.

7.7 As at 30 June 2018, MMJ owned 53,333,333 outstanding common shares in Harvest One, representing 30.7% of the issued common share capital.

Activities

United Greeneries

7.8 United Greeneries is a Canadian Access to Cannabis for Medical Purpose Regulations ("ACMPR") Licensed Producer and seller of medical cannabis, with two main growing facilities – the Duncan Facility on Vancouver Island and the Lucky Lake Facility in Saskatchewan. United Greeneries produces medical cannabis under the "Royal High" and "Captain's Choice" brands.

7.9 The Duncan Facility is licensed to cultivate and distribute medical marijuana by Health Canada pursuant to its ACMPR Licence. United Greeneries also holds a Dealer's License, which enables it to import and export approved medical cannabis products, as well as conduct research and development on new cannabis-based products. The Duncan Facility has a cultivation area of approximately 10,000 square feet, with the ability to produce around 1,000kg of cannabis per annum.

7.10 The Lucky Lake Facility is a 62,000 square feet concrete agricultural facility situated on 18 acres of land, which is owned by United Greeneries, with an estimated potential cultivation capacity of up to 12,000kg of cannabis per annum. United Greeneries is currently advancing the ACMPR application for this facility through the final stages of licensing with Health Canada.

Satipharm

7.11 Satipharm is a European pharmaceutical and nutraceutical company, based in Switzerland, that specialises in the development and manufacturing of cannabis-based health and dietary products, with a focus on legally accessible cannabidiol.

7.12 Satipharm holds the exclusive distribution and marketing rights for the Gelpell microgel technology and commenced production of CBD Gelpell microgel capsules in May 2015. The CBD Gelpell process involves the production of gelatin beads containing concentrated cannabinoids, which are encapsulated and packaged under Good Manufacturing Practice (“GMP”) protocols into 10mg and 50mg presentations. The product is currently available across the EU and in Australia. Satipharm is concurrently preparing to export its products to Canada.

7.13 As discussed in paragraph 6.5, Satipharm has sub-licensed the pharmaceutical application of the Gelpell microgel technology to PhytoTech, which is currently conducting clinical trials for two potential clinical applications.

Dream Water Global

7.14 Dream Water Global manufactures and distributes liquid sleep shots and sleep powder packets, which are marketed as promoting relaxation and restful sleep, and are available from over 30,000 retail outlets across the United States, Canada, Mexico and other markets, as well as through various e-commerce platforms.

7.15 In addition, Dream Water Global has established a cannabis-based product development program to include CBD and/or full-spectrum hemp in oral spray, liquid suspension and soluble powder-based forms, for the Canadian recreational and over-the-counter cannabis markets, once legislation of cannabis for recreational use is passed.

7.16 In announcing this acquisition, Harvest One stated the intention to launch an international licensing and distribution division of Dream Water Global, in order to access overseas markets – initially for its non-cannabis-based products – using Satipharm’s existing distribution network in Europe.

Directors and management

7.17 The Directors of Harvest One are summarised as follows:

Table 14 Harvest One Directors

Name	Title	Experience
Peter Wall	Chairman	Mr Wall is a corporate lawyer and is a Partner at one of Australia's leading corporate and commercial law firms in Perth, Western Australia. Mr Wall is also the non-executive chairman of MMJ.
Jason Bednar	Director	Mr Bednar is a Chartered Accountant with more than 18 years of professional experience in the financial and regulatory management of companies listed on the TSX, TSX-V, US stock exchanges and the ASX.
Grant Froese	Director/CEO	Mr Froese became the new Chief Executive Officer of the Company effective 3 July 2018. Mr Froese joined Harvest One following a 38-year career with Canadian retail giant Loblaw Companies Limited (TSE:L), last serving as Chief Operating Officer. During his career at Loblaw, Mr Froese led operations and merchandising at all levels and has had oversight of information technology, supply chain, digital/e-commerce businesses, marketing, and Loblaw’s industry-leading control brands.

Capital structure

7.18 As at 30 June 2018 Harvest One had 173,621,452 common shares on issue, of which 53,333,333 common shares (30.7%) were held by MMJ. On a fully diluted basis, Harvest One has 214,498,102 common shares, with MMJ's interest representing a 24.9% shareholding.

7.19 Harvest One is not required to disclose publicly its Top 20 shareholders. However, we have been provided with details of the Top 20 shareholders as at 30 June 2018, which shows that the next largest shareholder (after MMJ) held 2.5% of the issued common shares in Harvest One as at that date.

Financial information of Harvest One

7.20 The following table sets out a summary of the consolidated financial performance of Harvest One for the years ended 30 June 2016 and 30 June 2017 and for the nine months ended 31 March 2018.

7.21 The former auditors of Harvest One, BDO Canada LLP, issued an unqualified audit opinion on the financial statements for the year ended 30 June 2017. In April 2018, Deloitte LLP was appointed as auditors of Harvest One.

7.22 The audit report for the year ended 30 June 2017 included an Emphasis of Matter in relation to material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The auditor's opinion was not modified in respect of this matter.

Financial performance

7.23 The following table sets out a summary of the financial performance of Harvest One for the years ended 30 June 2017 and 30 June 2016 and nine months ended 31 March 2018.

Table 15 Harvest One Historical Financial Performance

C$000	Ref	9 months ended 31-Mar-18 Unaudited	Year ended 30-Jun-17 Audited	Year ended 30-Jun-16 Audited
Revenue		**212**	**76**	**247**
Gain on changes in fair value of biological assets	7.24	805	279	-
Inventory expensed to cost of sales		(193)	(102)	(320)
Gross profit		824	252	(73)
Expenses				
Depreciation and amortization		63	1,096	27
General and administration		438	493	335
Insurance		85	45	46
Marketing and investor relations		448	471	31
Professional and consulting services		891	785	185
Rent		139	172	173
Salaries, bonus and benefits		1,730	780	794
Share-based payments	7.25	2,124	1,894	197
Regulatory		186	360	123
Travel		468	406	19
Inventory impairment	7.26	-	(103)	878
Loss before income tax expense		**(5,746)**	**(6,147)**	**(2,881)**
Income tax		-	-	-
Loss after income tax for the period		**(5,746)**	**(6,147)**	**(2,881)**
Settlement cost		-	-	(375)
Finance costs		(117)	(149)	(123)
Foreign exchange		56	(69)	(20)
Listing fee		-	(2,098)	-
Interest income		1	25	6
Net loss		**(5,806)**	**(8,438)**	**(3,393)**
Foreign currency translation		48	(99)	10
Comprehensive loss		**(5,759)**	**(8,537)**	**(3,383)**

7.24 Harvest One's biological assets consist of seeds and medical cannabis plants. The significant assumptions applied in determining the fair value of the cannabis plants are the wastage of plants based on their various stages, expected yield by strain of plant, percentage of costs incurred to date compared to the estimated total costs to be incurred, and the percentage of costs incurred for each stage of plant growth.

7.25 Harvest One recorded C$2.1 million for the nine months ended 31 March 2018 in share-based compensation expense as a result of vesting of options issued in previous periods. Harvest One used the Black-Scholes option pricing model to establish the fair value of options granted.

7.26 Inventory impairment relates to CBD Gelpell capsules inventory. Due to issues related to Government approvals and the lack of sales activity between June 2016 and December 2016, Harvest One impaired C$0.9 million of inventory for the year ended 30 June 2016. During the year ended 30 June 2017, Harvest One re-evaluated the inventory impairment provision, taking into account the Company's sales since January 2017 and as a result reduced the provision by C$0.1 million.

Financial position

7.27 The table below sets out a summary of the financial position of Harvest One as at 31 March 2018, 30 June 2017 and 30 June 2016.

Table 6 Harvest One Financial Position

C$000	Ref	31-Mar-18 Unaudited	30-Jun-17 Audited	30-Jun-16 Audited
Assets				
Cash		79,519	14,246	880
Accounts receivable		479	180	317
Prepaid expenses and deposits		379	116	21
Biological assets		739	110	-
Inventories	7.28	3,431	1,214	520
Promissory note		751	-	-
Total current assets		**85,299**	**15,866**	**1,739**
Property, plant and equipment	7.29	9,543	8,226	6,033
Intangibles		-	31	-
Total non-current assets		**9,543**	**8,257**	**6,033**
Total assets		**94,842**	**24,123**	**7,771**
Liabilities				
Accounts payable and accrued liabilities		1,228	767	279
Notes payable		-	-	89
Due to related party	7.30	352	234	8,486
Total current liabilities		**1,579**	**1,001**	**8,854**
Notes payable		-	-	384
Total non-current liabilities		**-**	**-**	**384**
Total liabilities		**1,579**	**1,001**	**9,237**
Net assets/(liabilities)		**93,263**	**23,122**	**(1,466)**

7.28 Inventories of Harvest One consists of dry cannabis, finished goods, CBD Gelpell capsules, and supplies and consumables for use in the production of inventories and the transformation of biological assets, and post-harvest production costs. As at 31 March 2018, Harvest One held approximately C$2.6 million of dry cannabis compared to C$0.57 million as at 30 June 2017 and nil as at 30 June 2016.

7.29 On 18 May 2017, Harvest One purchased land and buildings which it previously leased and in which its operations resided for C$2.82 million.

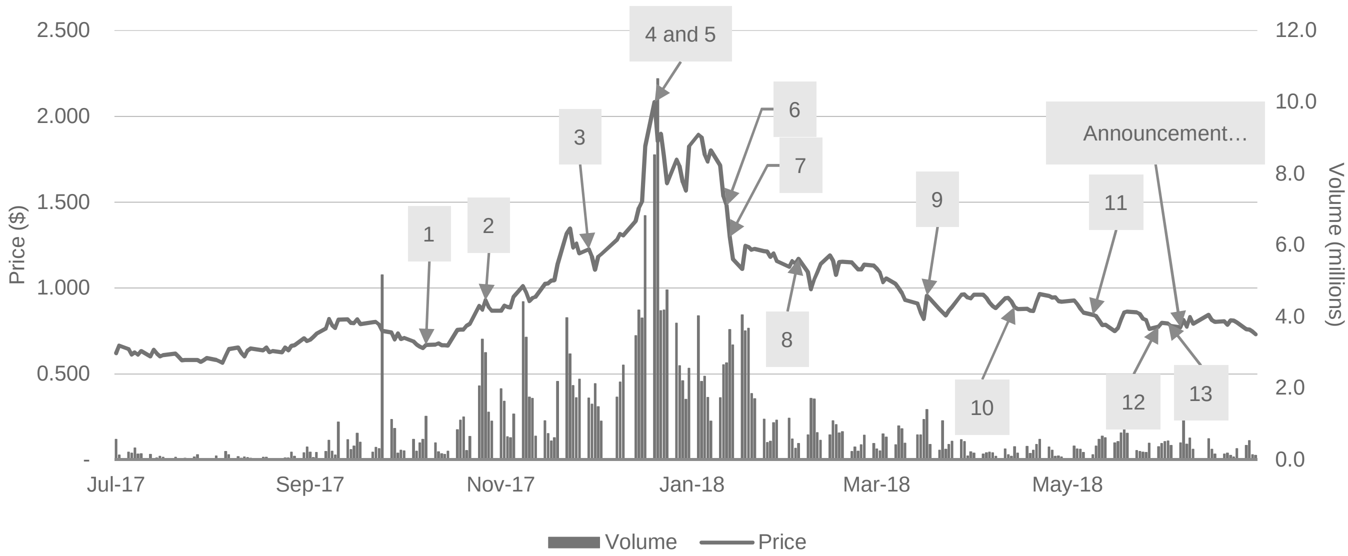
7.30 Liabilities due to a related party comprise amounts payable to MMJ. Prior to the Reverse Takeover, the operational and funding requirements of Harvest One were supported by its parent company, MMJ. As part of the Reverse Takeover in April 2017, Harvest One repaid C$8.82 million to MMJ through the issuance of approximately 11.76 million common shares. The loan amount outstanding to MMJ as at 31 March 2018 of C$352k was fully repaid in May 2018.

7.31 Since 31 March 2018, Harvest One has completed the acquisition of Dream Water Global, which involved the payment of cash consideration of US$12.5 million, and has continued to incur ongoing operating costs. In an announcement dated 30 May 2018, Harvest One stated that it held cash of approximately C$62 million and zero debt.

Share price performance

7.32 The figure below sets out a summary of Harvest One closing share prices and traded volumes for the 12 months to 10 July 2018.

Figure 2 Harvest One closing share price and traded volumes



7.33 In the 12-month period prior to the announcement of the Proposed Acquisition on 25 June 2018, Harvest One Shares traded between C$2.085 and C$0.508 per share. Over the 180 trading days prior to the announcement, a total of 132.2% of Harvest One Shares were traded, indicating that it is a liquid stock.

7.34 The most significant trading day occurred on 9 January 2018, when 9.74% of Harvest One's total share volume was traded.

7.35 The most significant trading days over this period have been noted in the graph above and are analysed as follows:

1. On 13 October 2017, Harvest One announced that, through its wholly owned subsidiary United Greeneries, it had received the amendment to sell dried marijuana to registered patients by Health Canada under the Access to Cannabis for Medical Purposes Regulations (ACMPR).

2. On 16 November 2017, Harvest One announced that, through its wholly owned subsidiary Satipharm AG, results from a Phase 1 Clinical Trial undertaken by PhytoTech in Israel using Satipharm's proprietary Gelpell technology had been published.

3. On 18 December 2017, Harvest One announced that its wholly owned subsidiary United Greeneries had entered into a binding purchase agreement for 398 acres of agricultural land in British Columbia following an announcement by the Canadian Federal Government in November 2017 regarding a consultation on potential regulations that would permit outdoor growing for the recreational market.

4. On 8 January 2018, Harvest One, through its wholly owned subsidiary United Greeneries announced the launch of retail sales beginning February 2018. In addition, the Company announced that it had over 325kg of dried cannabis in stock for immediate sale and an initial import licence for Satipharm's Gelpell microgel capsules.

5. On 9 January 2018, Harvest One announced that it had entered into an agreement with lead underwriter Mackie Research Capital Corporation to complete a C$35 million short form prospectus offering of units of the Company at a price of C$1.82 per unit, with each unit comprising one common share and one common share purchase warrant with an exercise price of C$2.30 per warrant share exercisable at any time up to 24 months following the closing of an offering. In addition, the Company granted the underwriters an option which made the aggregate gross proceeds of the offering C$40.25 million.

6. On 31 January 2018, Harvest One announced that it had closed its previously announced bought deal offering of C$40.25 million of units of the Company, at a price of C$1.82 per unit.

7. On 1 February 2018, Harvest One announced favourable results from Phase 2 clinical trials for child epilepsy using Satipharm capsules. Promising evidence of efficacy had been reported with a number of patients showing a reduction in mean monthly seizure frequency following 12 weeks of treatment.

8. On 23 February 2018, Harvest One announced that it had provided notice to holders on its unsecured convertible debentures that the Company would be exercising its option to convert the entire principal amount plus accrued interest at a price of C$0.84.

9. On 5 April 2018, Harvest One announced that it had successfully converted all outstanding debentures to common shares while maintaining a C$80 million cash position following the conversion.

10. On 3 May 2018, Harvest One announced that it had entered into definitive agreements to acquire all outstanding shares of Dream Water Products Canada Inc. and Sarpes Beverages, LLC for total consideration of US$12.5 million in cash and C$18.5 million in shares at a deemed price of C$1.00 per share.

11. On 29 May 2018, Harvest One announced that its wholly owned subsidiary United Greeneries had entered into a five-year lease agreement, with three five-year renewal options, for a lower mainland site in British Columbia. The facility has a 30,000 square foot building which will be used as a cultivation area, with conversion expected to commence by the end of August 2018.

12. On 18 June 2018, Harvest One announced that it had received a dealer's licence to allow its wholly owned subsidiary United Greeneries to import narcotics into Canada, including its signature Gelpell microgel CBD capsules which are produced by Satipharm in Switzerland.

13. On 21 June 2018, Harvest One provided a statement relating to Bill-45, the landmark cannabis act that will legalise cannabis in Canada on 17 October 2018.

14. On 25 June 2018, Harvest One announced that it had signed a binding share sale agreement with MMJ to acquire 100% of Israeli-based PhytoTech for total consideration of C$1 million in cash and C$7 million in Harvest One common shares issues at the then 10-day VWAP closing price.

8. Industry Overview

8.1 The legal cannabis market can be divided into three segments:

- Recreational
- Medical
- Cannabis-derived pharmacotherapy (CDP)

8.2 In recent years, there has been an increase in public awareness surrounding the medical benefits associated with marijuana. This has subsequently led to a number of jurisdictions either decriminalising cannabis or legislating in favour of the use of cannabis for medical purposes.

8.3 The medical use of cannabis has now been legalised in Australia, Canada, 29 states within the United States, Bangladesh, Cambodia, Chile, Colombia, Costa Rica, the Czech Republic, Germany, India, Jamaica, Mexico, the Netherlands, Portugal, South Africa and Uruguay.

8.4 The recreational use of cannabis is approved in Uruguay, nine states and the District of Columbia in the United States and is expected to be legalised in Canada as of 17 October 2018.

8.5 The international market for cannabis was estimated to be worth $7.7 billion at the end of 2017 and is projected to achieve sales of $31.4 billion by 2021 according to a recent report by a cannabis market research firm, Brightfield Group.

8.6 Recent studies have suggested that medical cannabis can provide benefits to certain patients with chronic pain, glaucoma, cancer and children with treatment-resistant epilepsy. These benefits include pain relief, increased appetite and nausea control.

8.7 The top five symptoms to be relieved by the use of medical cannabis as reported by patients are pain, muscle spasms, headaches, anxiety and nausea/vomiting.

8.8 There are a range of key success factors for producers within the industry as follows:

- Development of strains – Licensed producers that are able to develop strains of cannabis that display consistency of relief or improvement for patients;
- Knowledge of formulation and protocols – Understanding how to administer cannabis to patients and in what dosage; and
- Delivery mechanism – Supplying cannabis to patients in different methods which include consumption methods other smoking.

Australia

8.9 On 29 February 2016 the Narcotic Drugs Amendment Bill 2016 (“Bill”) was given Royal Assent in Australia. The Bill amended the Narcotic Drugs Act to establish a licensing scheme for the cultivation of cannabis for medical and scientific purposes.

8.10 Mechanisms were already in place for the licensing of the manufacture of narcotics under the Narcotic Drugs Act and access to medicinal cannabis for medical and scientific use through the Therapeutics Drug Act 1989 (Cth), but these provisions had not been extensively used. The amended Narcotic Drugs Act allows Australia to develop a safe, legal and sustainable supply of medicinal cannabis products.

8.11 Effective 30 October 2016 legislative changes came into effect legalising medical cannabis in Australia. Doctors are able to legally prescribe medical cannabis to patients with certain medical conditions or via the Therapeutic Goods Administration’s (“TGA”) special access scheme. The TGA regulates the manufacture, registration and supply of medical cannabis products as it does for other therapeutic goods.

8.12 Producers that are registered with the TGA and approved by the Office of Drug Control (“ODC”) are able to cultivate cannabis products, conduct clinical trials and develop therapeutic products within Australia.

Canada

8.13 Cannabis was legalised for medical use in Canada in 2001. The regulations for medical use were reformed in both 2013 and 2016. The current Access to Cannabis for Medical Purposes Regulations (ACMPR) came into effect on from 24 August 2016 and allow for reasonable access to cannabis for medical purposes for Canadians who have been authorised to use cannabis for medical purposes by their health care practitioner. Currently only licensed producers are authorised to produce and sell medical cannabis products to the public (those authorised by their health care practitioner).

8.14 There are currently 112 licensed producers in Canada and as of September 2017 there were in excess of 235,000 people registered as authorised to use cannabis for medical purposes.

8.15 Canada's medical cannabis market began as a flower-only market, but licensed producers were permitted to begin the production of extracts in late 2015. All current extract products are currently required to be liquid and confirm to the THC potency cap.

8.16 Bill C-45, the legislation for the non-medical use of cannabis received royal assent on 21 June 2018 with the legalisation of recreational cannabis use to come into effect as of 17 October 2018.

9. Valuation approach

Basis of Valuation

9.1 The valuation of the Consideration and of PhytoTech have been prepared on the basis of Fair Market Value being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

Valuation methodologies

9.2 In assessing the Fair Market Value of the Consideration and of PhytoTech, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

9.3 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market-based methods

9.4 Market-based methods estimate the Fair Market Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include:

- the quoted price for listed securities; and
- industry-specific methods.

9.5 The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

9.6 Industry-specific methods usually involve the use of industry "rules of thumb" to estimate the fair market value of a company and its securities. Generally, "rules of thumb" provide less persuasive evidence of the fair market value of a company than other market-based valuation methods because they may not account for company-specific risks and factors.

Income-based methods

9.7 Income-based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income-based methods include:

- discounted cash flow ("DCF"); and
- capitalisation of future maintainable earnings.

9.8 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

9.9 The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows, is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable listed companies.

Asset-based methods

9.10 Asset-based methodologies estimate the Fair Market Value of a company's securities based on the realisable value of its identifiable net assets. Asset-based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

9.11 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

9.12 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.

9.13 The net assets on a going concern method estimates the market value of the net assets of a company but, unlike the orderly realisation of assets method, it does not take into account realisation costs. Asset-based methods are appropriate when companies are not profitable, a significant proportion of the company's assets is liquid, or for asset-holding companies.

Selection of valuation methodologies

Valuation of the Consideration

9.14 In assessing the value of the Consideration, we have separately considered the value of the Cash Consideration and the value of the Share Consideration.

9.15 In assessing the value of the Cash Consideration, which is denominated in Canadian dollars, we have adopted the face value of the Cash Consideration, translated into Australian dollars using the foreign exchange rate ruling as at 27 July 2018.

9.16 The Share Consideration does not comprise a fixed number of Harvest One common shares, but rather will comprise that number of common shares which equates to a market value of C$7 million, based on the volume-weighted average price ("VWAP") of Harvest One common shares in the 10 days prior to settlement of the Proposed Transaction.

9.17 Because the issue price of Harvest One shares comprising the Share Consideration is based on the VWAP of Harvest One common shares in the 10 days prior to settlement, it may differ from the actual share price as at the date of settlement. As a result, the fair market value of the Share Consideration could be either higher or lower than C$7 million, based on the traded share price as at the Settlement Date. We have not made any adjustment for this uncertainty in assessing the Fair Market Value of the Share Consideration on the basis that:

a) the VWAP period is relatively short at 10 days, and we consider it reasonable to assume that any share price volatility over this period would not be material to the value of the Share Consideration;

b) it is not possible to predict the share price movements over the VWAP period or the share price as at the Settlement Date; and

c) any variation could result in either increase or a decrease in the value of the Share Consideration as at the Settlement Date.

9.18 In assessing the value of the Share Consideration, we have therefore adopted the stated value of the Share Consideration, translated into Australian dollars using the foreign exchange rate ruling as at 27 July 2018.

Valuation of PhytoTech

9.19 In assessing the value of PhytoTech we have utilised the following valuation bases and methodologies:

a) Cost recovery basis, i.e. the amount required to fully reimburse the costs incurred to date with respect to research and development ("R&D") activities undertaken by PhytoTech; and

b) 'Sum of parts' basis, applied by comparing the market value of MMJ with the fair market value of each of its significant assets, being investments in other companies (including Harvest One), in order to estimate an implied value of PhytoTech.

9.20 The underlying rationale for the cost recovery basis is the assumption that a third party acting at arm's length could achieve similar results and outcomes by making a similar financial investment in R&D activities, and would therefore not pay more than this amount to acquire the entity.

9.21 Our valuation methodologies were selected on the following basis:

- PhytoTech is a loss-making company involved in R&D activities, which has not to date generated any revenue, and is expected to continue to be loss-making for the foreseeable future. As such, it is not possible to adopt the capitalisation of future maintainable earnings methodology.

- PhytoTech has negative net assets of approximately A4.1 million as at 30 June 2018, and its net assets will be negligible even after the MMJ loan is converted into PhytoTech shares. Any value attributable to PhytoTech is therefore attributable to intellectual property and/or other assets, which are not recognised in the company's balance sheet and for which no independent third party valuation has been undertaken. As such, it is not appropriate to adopt an assets-based methodology;

- there remain significant uncertainties associated with the ability of PhytoTech to bring products to market, which are typical of a company with products in early stage clinical trials. As such, no medium to long term cash flow projections are available, and we do not consider that that the company would have reasonable grounds on which to prepare such projections. We are therefore unable to adopt the discounted cash flow methodology;

- the shares in PhytoTech are not publicly traded, and it is therefore not possible to use the quoted price of listed securities as a basis for valuation of the company. However, we have used the 'sum of parts' approach based on the MMJ share price, on the basis set out in paragraph 9.19(a); and

- there have been no recent offers by third parties to acquire PhytoTech, nor has any third party subscribed for shares in PhytoTech.

10. Valuation of Consideration

Cash Consideration

10.1 As stated at paragraph 9.15, we have assessed the value of the Cash Consideration by adopting the face value of the Cash Consideration, translated into Australian dollars using the foreign exchange rate ruling as at 27 July 2018.

10.2 The face value of the Cash Consideration is C$1 million and is payable at settlement of the Proposed Transaction. As at 27 July 2018, the foreign exchange rate was A$1:C$0.967. Accordingly, we have assessed the value of the Cash Consideration to be A$1.03 million.

Share Consideration

10.3 For the reasons set out in paragraph 9.16 et seq., we have assessed the value of the Share Consideration by adopting the face value of the Share Consideration, translated into Australian dollars using the foreign exchange rate ruling as at 27 July 2018.

10.4 The face value of the Share Consideration is C$7 million and is payable at settlement of the Proposed Transaction. As at 27 July 2018, the foreign exchange rate was A$1:C$0.967. Accordingly, we have assessed the value of the Share Consideration to be A$7.24 million.

Amounts attributable to Yissum

10.5 Under the terms of the Yissum Agreement, Yissum will be entitled to receive 2% of the Consideration on settlement of the Proposed Transaction. Accordingly, MMJ will be required to pay 2% of the Cash Consideration to Yissum, and 2% of the Harvest One shares to be issued as the Share Consideration will be issued (or transferred) to Yissum.

10.6 On the basis of our assessment of the value of the Consideration, being A$8.27 million, the total value of the amount attributable to Yissum is A$165,500.

Valuation summary and conclusion

10.7 A summary of our assessed value of the Consideration is set out in the table below.

Table 17 Valuation of Consideration – Summary

Valuation of Consideration	Ref.	A$ million
Fair Market Value of Cash Consideration	10.1	1.03
Fair Market Value of Share Consideration	10.3	7.24
Fair Market Value of Consideration		**8.27**
Less: Amount attributable to Yissum	10.5	(0.16)
Fair Market Value of Consideration (net of payments to Yissum)		**8.11**

Source: RSM analysis

RSM

11. Valuation of PhytoTech

11.1 We summarise below our valuation of PhytoTech using the bases and methodologies set out in paragraph 9.19.

Cost recovery basis

11.2 The Company has advised us that the total amount invested in PhytoTech and used in furthering its research and development activities is A$4.8 million, as at 31 July 2018. This comprises amounts loaned by MMJ to PhytoTech totalling A$4.2 million and a further amount of A$0.6 million comprising the cost of share-based incentives provided to PhytoTech management.

11.3 It is important to note that the amount of costs incurred by a research and development company may not be indicative of the value of the entity, as this method takes no account of the outcome from the R&D activities. For example, a company in the pharmaceutical industry may invest in R&D with respect to products which are ultimately found not to be effective or are not commercially viable. Equally, the value of a company which successfully brings a product to market may have a value many times higher than the R&D costs incurred to develop the product and complete clinical trials and regulatory approvals.

11.4 Notwithstanding the above, the underlying rationale for the cost recovery basis is the assumption that a third party acting at arm's length could achieve similar results and outcomes by making a similar financial investment in R&D activities, and would therefore not pay more than this amount to acquire the entity.

11.5 However, this approach ignores any special or additional value associated with:

a) initial access to intellectual property, the assembled research team and key relationships with universities or other research institutions;

b) proximity to market, i.e. the fact that a notional third party may require several years to achieve the same results and outcomes that it would obtain immediately through acquiring the entity; and

c) the lower level of commercial risk associated with an entity which has already achieved certain positive outcomes, compared to a new start-up venture.

11.6 PhytoTech has been engaged in R&D activities for over three years, has completed Phase 1 clinical trials for two therapeutic applications of the CBD Gelpell product and is currently Phase 2 clinical trials in connection with its use in child epilepsy. On 24 July 2018 MMJ announced positive findings from the Phase 2 child epilepsy trial.

11.7 Whilst the announced results from clinical trials to date have been promising, we note that Phase 1 and Phase 2 trials are small-scale trials, and that there remain significant further hurdles to successfully bringing a product to market for these therapeutic applications, not least the successful outcome of much larger scale Phase 3 trials, which test efficacy, effectiveness and safety across a large number of patients.

11.8 Having regard to the above considerations, the Fair Market Value of PhytoTech based on the costs incurred to date is A$4.8 million.

'Sum of Parts' basis

11.9 In applying the 'Sum of Parts' basis, we have considered the extent to which the market value of MMJ is represented by the underlying market value of each of its investments (other than its 100% shareholding in PhytoTech), in order to derive an implied value, which we consider to represent an estimate of the Fair Market Value attributable to PhytoTech. This approach is consistent with the principle that investment companies are typically valued at or close to their Net Tangible Asset ("NTA") value, i.e. on the basis of the underlying market value of their investments.

11.10 In undertaking this analysis, we have adopted the 10-day VWAP for determining both the market capitalisation (market value) of MMJ and the market value of the Company's investment in Harvest One. As at 27 July 2018, MMJ's 10-day VWAP share price was 28.9 cents. Based on 221,398,985 ordinary shares on issue at that date, this equates to a market value for MMJ of A$64.0 million.

11.11 We have summarised below the assessed market value of each of investments held by MMJ as at 27 July 2018 (other than PhytoTech)

Table 18 Market value of MMJ investments

Company	Investment held	Market value (A$m) as at 27 July 2018
Harvest One (Canada)	53,333,333 Common Shares (30.7% of the issued common share capital)	39.2
Weed Me Inc. (Canada)	C$2m investment in secured convertible debentures, with interest payable at the rate of 8% pa, convertible into shares and warrants (December 2017)	5.1
Fire & Flower Inc. (Canada)	C$1m investment to acquire a 1.6% shareholding - 1.25 million common shares at C$0.80 each, with an attached warrant exercisable at C$1.05 per share (April 2018)	1.0
Biologics Research Institute Australia Pty Ltd (Cannabis Access) (Australia)	$1m investment to acquire 16.7% shareholding (April 2018)	1.0
Martha Jane Medical Ltd (Australia)	A$0.6m of seed capital to acquire a 12.6% shareholding (May 2018)	0.6
Bien Ventures Ltd (Canada)	C$0.7m to acquire a 12.7% shareholding (2.8 million shares at C$0.25 per share, each with an attached warrant exercisable at C$0.35 per share (June 2018)	0.7
BevCanna Enterprises Inc. (Canada)	C$0.5m to acquire a 3.6% shareholding (June 2018)	0.5
MediPharm Labs Inc (Canada)	C$5.0m to acquire a 6.9% shareholding (July 2018)	5.1
Embark Health Inc (Canada)	C$0.15m to acquire a 2.5% shareholding (July 2018)	0.2
Sub-total		**53.4**
Cash and cash equivalents		**1.1**
Total assessed value		**54.5**

Note: The market value of all securities denominated in Canadian dollars has been translated into Australian dollars at the rate of A$1:C$0.967, being the exchange rate as at 27 July 2018.

11.12 The assessed value of the Harvest One shares is based on the volume-weighted average share price over the 10 trading days to 27 July 2018, being C$0.71, with the total value of the shareholding being C$37.9 million (A$39.2 million). This amount does not include any adjustment to reflect the significant influence associated with holding 30.7% of the Harvest One common shares (see paragraph 11.18 below).

11.13 The assessed value of the Weed Me convertible loan notes is based on the pricing of new shares issued in Weed Me's most recent funding round and on the number of common shares and warrants which would be issued to MMJ on conversion. Since the date of MMJ's investment, Weed Me has achieved the following milestones:

a) On 30 April 2018, MMJ announced that Weed Me had obtained a cultivation licence from Health Canada, allowing it to apply for a sales licence ahead of the expected federal legislation in Canada with respect to the use of recreational cannabis. When the sales licence is obtained, MMJ will acquire a minority shareholding in Weed Me through the conversion of its convertible loan note; and

b) On 29 June 2018, MMJ announced that Weed Me had secured an exclusive Canadian partnership with a seed producer, Dutch Passion, providing Weed Me with access to over 60 strains of cannabis, in addition to decades of expertise in marijuana breeding.

11.14 The estimated market values for all other investments are based on the amount subscribed by MMJ at the date of investment, on the basis that these were arm's length transactions and on the assumption that there has been no significant change in value of since the date of investment. In this regard, we note that all of these investments were made by MMJ between April and July 2018, with no significant milestones being achieved or further capital being raised by those companies since the date of MMJ's investment.

11.15 We have included MMJ's cash balance in the above analysis based on MMJ's ASX announcement dated 16 July 2018.

11.16 We have not included any amounts in our analysis with respect to the contingent consideration payable in connection the MMJ Bioscience merger, on the basis that the revenue target to be achieved by July 2018 was not met, as discussed in paragraph 5.23.

11.17 On the basis of the above analysis, MMJ's underlying investments and cash balance account for a market value of A$54.5 million, compared to MMJ's market value of A$64.0 million as at 27 July 2018 (based on the 10-day VWAP share price). In our opinion, the difference of A$9.5 million can be attributed principally to:

a) the fair market value of PhytoTech; and

b) additional value attributable to MMJ having a significant degree of influence over Harvest One, holding 30.7% of its issued common shares and being the largest single shareholder.

Harvest One shareholding – premium for significant influence

11.18 The quoted market price of a share is based on actual market transactions, which generally involve the buying and selling of small parcels of shares, which do not represent a significant shareholding in the company. As such, the quoted market price represents the value of a share on a minority interest basis. In the case of control transactions, such as a takeover bid, a bidder will generally offer a significant premium (a 'control premium') to the quoted market price to acquire a controlling interest in the company, which typically provides advantages including control over decision-making and strategic direction, access to underlying cash flows, control over dividend policy, access to potential synergies and access to tax losses.

11.19 RSM has conducted a study of 463 takeovers and schemes of arrangement involving companies listed on the ASX over the 11 years ended 30 June 2016 (the "RSM Control Premium Study"[2]). In determining the control premium we compared the offer price to the closing trading price of the target company 20, 5 and 2 trading days prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer. Our study concluded that on average control premiums in takeovers and schemes of arrangement involving Australian companies were in the range of 25% to 35%.

[2] A copy of the RSM Control Premium Study can be accessed at www.rsm.global/australia/sites/default/files/media/Special%20Report/Control%20Premium%20Study/2017/1704_control_premium_study_2017.pdf

11.20 In the case of shareholdings which do not represent a controlling interest (generally meaning more than 50% of the voting shares) but nevertheless provide the holder with significant influence over the entity, the market value of the holding generally incorporates a premium above the quoted market share price, albeit less than a control premium. As the holder of 30.7% of Harvest One's issued common shares, MMJ has significant influence over Harvest One, particularly as no other single shareholder holds more than 2.5% of the issued common shares. In practice, this means that MMJ's voting power will in many cases determine the outcome of ordinary resolutions requiring a simple majority to be carried.

11.21 On the basis of the analysis in the RSM Control Premium Study, we consider that it would be reasonable to assume a premium for significant influence of between 10% and 15%, having regard to MMJ's 30.7% shareholding and the lack of any other substantial shareholder in Harvest One. This would equate to a premium of between A$3.9 million and A$5.9 million, resulting a fair market value of between A$43.1 million and A$45.1 million for MMJ's shareholding in Harvest One.

Implied market value of PhytoTech

11.22 On the basis of the above, this would imply that PhytoTech has a market value within the range A$3.6 million to A$5.6 million, as summarised in the table below:

Table 19 Implied valuation of PhytoTech using 'Sum of Parts' approach

A$ million	Ref.	Low	High
Market Value of MMJ as at 27 July 2018[1]	11.10	**64.0**	**64.0**
Less: Value attributable to Harvest One shareholding[2]	11.21	(45.1)	(43.1)
Less: Value attributable to other investments	11.11	(14.2)	(14.2)
Less: Cash and cash equivalents	11.15	(1.1)	(1.1)
Implied Fair Market Value of PhytoTech		**3.6**	**5.6**

Source: RSM analysis

Notes:

1. Based on MMJ's volume weighted average share price in the 10 trading days to 27 July 2018.
2. Based on Harvest One's volume weighted average share price in the 10 trading days to 27 July 2018 plus a premium for 'significant influence' of between 10% and 15%.

Valuation summary and conclusion

11.23 Using the 'Sum of Parts' basis we have determined an implied market value for PhytoTech of between A$3.6 million and A$5.6 million as at 27 July 2018. The assessed value of PhytoTech using the cost recovery approach is A$4.8 million, which lies within this range.

11.24 Based on application of these two methodologies, our preferred valuation range for PhytoTech is A$3.6 million to A$5.6 million.

12. Is the Proposed Transaction Fair to Non-Associated Shareholders?

12.1 In order to assess whether the Proposed Transaction is fair to the Non-Associated Shareholders, we have compared the value of the Consideration to the value of PhytoTech.

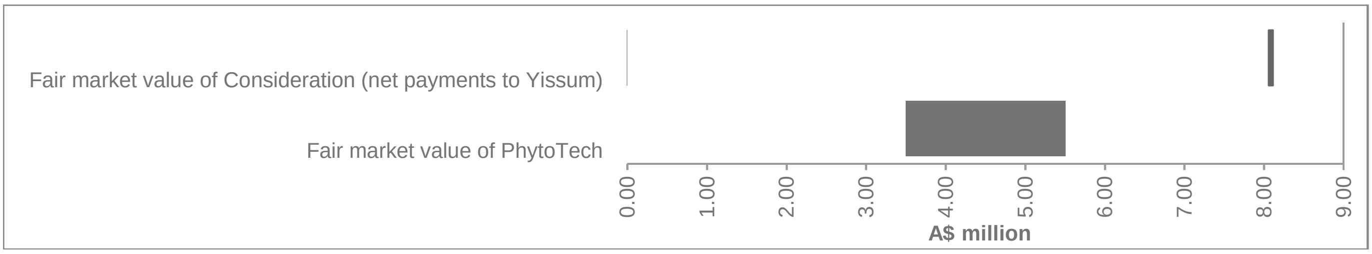
12.2 A comparison of the values of the Consideration and PhytoTech is set out below.

Table 20 Assessed values of the Consideration and PhytoTech

A$ million	Ref	Value Low	Value High
Fair Market Value of Consideration (net of payments to Yissum)	10.7	8.11	8.11
Fair Market Value of PhytoTech	11.22	3.60	5.60

Source: RSM analysis

Figure 4 Assessment of fairness – graphical representation



Source: RSM Analysis

12.3 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with ASX Listing Rule 10.1, we consider the Proposed Transaction to be fair to the Non-Associated Shareholders of MMJ as the value of the Consideration is higher than the range of values of ascribed to PhytoTech.

13. Is the Proposed Transaction Reasonable to Non-Associated Shareholders?

13.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

a) the future prospects of MMJ if the Proposed Transaction does not proceed; and

b) other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future prospects of MMJ if the Proposed Transaction does not proceed

13.2 If the Proposed Transaction does not proceed, the Company will not receive the Cash Consideration and the Share Consideration, and will continue to own, control and operate PhytoTech as a wholly-owned subsidiary, in addition to managing its portfolio of investments in companies operating in cannabis-related sectors.

Advantages and disadvantages

13.3 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceeds, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

Advantage 1 – The Proposed Transaction is fair

We have determined that the Proposed Transaction is fair to the Non-Associated Shareholders on the basis that the Fair Value of the Consideration exceeds the Fair Value of PhytoTech, as set out in paragraph 12.2.

Advantage 2 – Transition to a listed investment company

The divestment of PhytoTech will complete MMJ's transition to being an ASX-listed investment company holding minority interests in a range of cannabis-related companies, consistent with the strategy announced to the market in October 2017.

Advantage 3 – Reduced exposure to risk associated with PhytoTech's R&D programme

As a company involved in research and development, there is no guarantee that the activities being undertaken by PhytoTech will ultimately lead to clinically effective products which obtain regulatory approval in major markets, or that the returns from the sale of such products will exceed the amount invested in their development, including the cost of later-stage clinical trials.

The Proposed Transaction will result in MMJ's effective interest in PhytoTech reducing from 100% to 34.5%, thereby reducing its exposure to the further development costs and risks associated with PhytoTech's activities.

Advantage 4 – Eliminates funding requirements for PhytoTech's R&D programme

The R&D costs involved in pharmaceutical-grade drug development are substantial, including with respect to later-stage clinical trials and regulatory approval processes. The Proposed Transaction will relieve MMJ from the need to raise capital to fund the ongoing activities of PhytoTech, and is likely to provide PhytoTech with greater access to capital through Harvest One's existing cash reserves and its ability to raise capital in Canada, being a more established market than Australia for companies operating in cannabis-related sectors.

Advantage 5 – Maintains MMJ's significant influence over Harvest One

The Proposed Transaction will increase MMJ's shareholding from 30.7% to 34.5% of the issued common shares in Harvest One, or from 24.9% to 28.3% on a fully diluted basis.

Advantage 6 – Exchanges an illiquid investment in PhytoTech for cash and marketable shares

The Proposed Transaction will result in MMJ holding additional cash and common shares in Harvest One, which can be traded in a liquid market. Accordingly, MMJ will have the ability to sell these Harvest One shares, if it so chooses, in order to increase funds available to make further investments in other companies in cannabis-related sectors, in line with its strategy.

Disadvantages of approving the Proposed Transaction

Disadvantage 1 – Loss of control over PhytoTech's R&D programme

MMJ will no longer have control over the strategic direction and R&D programme of PhytoTech, despite maintaining an effective interest in PhytoTech through its shareholding in Harvest One. Harvest One may have different objectives and priorities, including with respect to the deployment of capital, and there is no guarantee as to the level of funding which will be provided by Harvest One to fund PhytoTech's ongoing or future R&D activities.

Disadvantage 2 – Reduction in financial benefit if PhytoTech is successful in bringing new products to market

The Proposed Transaction will result in MMJ's effective interest in PhytoTech reducing from 100% to [34%]. If PhytoTech is successful in developing, gaining approval for and bringing to market new products, MMJ will therefore not gain the full benefit of the potential income which may accrue to PhytoTech through royalty income or partnering arrangements.

Disadvantage 3 – Increased concentration of MMJ's investment portfolio

The Proposed Transaction will increase the concentration of MMJ's investments in a single company, Harvest One, which we estimate will increase to represent over 78%[3] of the market value of MMJ's investment portfolio.

Conclusion on Reasonableness

13.4 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is reasonable for the Non-Associated Shareholders of MMJ.

13.5 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD

J AUDCENT
Director

N MARKE
Director

[3] Based on our assessed market value of MMJ's existing shareholding in Harvest One (A$43.1m - 45.1m), the assessed value of MMJ's other investments (A$14.2m) and the value of the Share Consideration (A$7.2m).

APPENDICES

A. DECLARATIONS AND DISCLAIMERS

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Mr. Justin Audcent and Ms Nadine Marke are directors of RSM Corporate Australia Pty Ltd. Both Mr Audcent and Ms Marke are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of MMJ PhytoTech Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Justin Audcent, Nadine Marke nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd is expected to receive a fee of approximately $30,000 based on time spent at normal professional rates for the preparation of this report. The fees are payable regardless of whether MMJ PhytoTech Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of General Meeting;
- Binding share sale agreement between MMJ and Harvest One with respect to the sale of PhytoTech;
- Audited financial statements of MMJ for the years ended 30 June 2016 and 30 June 2017;
- Reviewed financial statements of MMJ for the six months ended 31 December 2017;
- Unaudited management accounts of PhytoTech for the years ended 30 June 2017 and 30 June 2018;
- Audited financial statements of Harvest One for the years ended 30 June 2016 and 30 June 2017;
- Unaudited financial statements of Harvest One for the nine months ended 31 March 2018;
- ASX announcements of MMJ;
- Announcements made to the TSX-V by Harvest One;
- Details of top 20 shareholders of Harvest One as at 30 June 2018;
- S&P Capital IQ database; and
- Other information provided by the Directors and management of MMJ.

C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
$, A$ or AUD	Australian dollar
ACMPR	Access to Cannabis for Medical Purpose Regulations (Canada)
Act	Corporations Act 2001 (Cth)
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
C$ or CAD	Canadian dollar
Cash Consideration	C$1 million payable by Harvest One in connection with the Proposed Transaction
CBD	Cannabidiol
CBW	Cannabis Wheaton Income Corp
CDP	Cannabis-Derived Pharmacotherapy
Company	MMJ PhytoTech Limited
The Consideration	The aggregate amount of the Cash Consideration and the Share Consideration
Control basis	As assessment of the Fair Value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
DCF	Discounted Cash Flow
Directors	Directors of the Company
Dream Water Global	Dream Water Products Canada Inc. and Sarpes Beverages, LLC, being wholly owned subsidiaries of Harvest One
e-Sense Lab	e-Sense Lab Limited (ASX: ESE)
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Market Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
EU	European Union
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY16	Financial year ended 30 June 2016
FY17	Financial year ended 30 June 2017
GMP	Good Manufacturing Practice
GST	Goods & Services Tax
Harvest One (or HVT)	Harvest One Cannabis Inc.
HL Pharma	HL Pharma Pty Ltd

HY18	Six month period ended 31 December 2017
IER	This Independent Expert's Report
Kg	Kilogrammes
MMJ	MMJ PhytoTech Limited
MMPR	Marijuana for Medical Purposes Regulations (Canada)
Non-Associated Shareholders	Shareholders who are not a party, or associated with a party, to the Proposed Transaction
Notice	The notice of meeting to vote on, inter alia, the Proposed Transaction
ODC	Office of Drug Control (Australia)
Option or Options	Unlisted options to acquire Shares with varying vesting conditions
PhytoTech (or PTL)	PhytoTech Therapeutics Ltd, a wholly owned subsidiary of the Company
PNL	Pro-Nano Lipospheres
Proposed Transaction	The proposed sale of PhytoTech by the Company to Harvest One
R&D	Research and Development
Report	This Independent Expert's Report prepared by RSM dated 9 August 2018
Resolution	The resolutions set out in the Notice
RG 111	ASIC Regulatory Guide 111 *Content of Expert Reports*
RSM	RSM Corporate Australia Pty Ltd
Sale Agreement	The binding share sale agreement in relation to the Proposed Transaction
Satipharm	Satipharm AG, a wholly owned subsidiary of Harvest One
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
Share or MMJ Share	Ordinary fully paid share in the capital of the Company
Share Consideration	The issue of common shares by Harvest One in connection with the Proposed Transaction
Shareholder	A holder of Share
TGA	Therapeutic Goods Administration (Australia)
THC	Tetrahydrocannabinol
TSX	Toronto Stock Exchange
TSX-V	TSX Ventures Exchange
United Greeneries	United Greeneries Holdings Ltd, a wholly owned subsidiary of Harvest One
US$ or USD	US dollar
VWAP	Volume weighted average share price
Yissum	Yissum Research Development Company of the Hebrew University of Jerusalem Ltd

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SCHEDULE 2 – PRO FORMA BALANCE SHEET

The auditor-reviewed balance sheet as at 31 December 2017 and the unaudited pro-forma balance sheet as at 31 December 2017 shown below have been prepared on the basis of the accounting policies normally adopted by MMJ and reflect the material changes to its financial position to 30 June 2018.

	AUDITOR REVIEWED 31 DECEMBER 2017 ($'000)	HVT DECONSOLIDATION ADJUSTMENTS ($'000)	BALANCE SHEET 31 DECEMBER 2017 WITHOUT HVT ($'000)	ADJUSTMENTS AS A RESULT OF TRANSACTION ($'000)	MATERIAL SUBSEQUENT EVENTS POST 31 DECEMBER 2017 ($'000)	UNAUDITED PROFORMA ($'000)
CURRENT ASSETS						
Cash and cash equivalents	36,106	(29,673)	6,433	508	(5,456)	1,485
Trade and other receivables	766	(647)	119	(10)	0	109
Inventories	2,100	(2,100)	0	0	0	0
Available for sale financial assets	2,799	56,171	58,971	7,034	(4,170)	61,834
Biological assets	337	(337)	0	0	0	0
TOTAL CURRENT ASSETS	**42,108**	**23,415**	**65,523**	**7,531**	**(9,627)**	**63,428**
NON CURRENT ASSETS						
Investments	0	0	0	0	0	0
Property, plant and equipment	8,523	(8,519)	5	(4)	0	1
Intangibles	8,825	(8,825)	0	0	0	0
Goodwill	4,781	(4,781)	0	0	0	0
Other	37	0	37	(37)	0	
TOTAL NON CURRENT ASSETS	**22,166**	**(22,125)**	**42**	**(41)**	**0**	**1**
TOTAL ASSETS	**64,274**	**1,290**	**65,565**	**7,491**	**(9,627)**	**63,429**
CURRENT LIABILITIES						
Trade and other payables	1,576	(1,303)	273	(129)	0	144
Contingent consideration	2,666	0	2,666	0	(2,666)	-
TOTAL CURRENT LIABILITIES	**4,242**	**(1,303)**	**2,939**	**(129)**	**(2,666)**	**144**
NON CURRENT LIABILITIES						
Convertible debentures liability	7,089	(7,089)	0	0	0	0
Deferred tax	2,244	3,787	6,031	0	(2,966)	3,066
TOTAL NON CURRENT LIABILITIES	**9,333**	**(3,302)**	**6,031**	**0**	**(2,966)**	**3,066**
TOTAL LIABILITIES	**13,574**	**(4,605)**	**8,970**	**(129)**	**(5,631)**	**3,209**
NET ASSETS	**50,700**	**5,895**	**56,595**	**7,620**	**(3,995)**	**60,219**
EQUITY						
Contributed equity	45,796	0	45,796	0	3,509	49,305
Reserves	29,452	(17,674)	11,777	(134)	(2,276)	9,367
Accumulated losses	(42,928)	41,950	(978)	7,754	(5,228)	1,548
Equity attributable to the owners of MMJ	32,319	24,275	56,595	7,620	(3,995)	60,219
Non-controlling interest	18,380	(18,380)	0	0	0	
TOTAL EQUITY	**50,700**	**5,895**	**56,595**	**7,620**	**(3,995)**	**60,219**

NOTES:

The auditor-reviewed balance sheet as at 31 December 2017 and the unaudited pro-forma balance sheet as at 31 December 2017 shown below have been prepared on the basis of the accounting policies normally adopted by MMJ and reflect the changes to its financial position. The pro-forma balance sheet has been prepared assuming that the Disposal completes and therefore that:

(a) De-consolidation of HVT (HVT) and accounted for as an investment. The value of the Company's investment in HVT has been accounted for using the market value of CAD$0.77 as at 30 June 2018.

(b) PTL (which currently has a book value of A$4.74 million in the Company's accounts) is disposed.

(c) Cash proceeds totalling CAD$1,000,000 equal to A$1,025,300 assuming exchange rate of CAD$1:A$1.0253.

(d) Equity consideration amounting to CAD$7,000,000 settled via HVT shares equal to A$7,177,100 assuming exchange rate of CAD$1:A$1.0253, assuming HVT share price of CAD$0.77 will be equal to 9,090,909 HVT shares.

(e) Disposal of PTL (net liability of A$3,497,844 including intercompany transaction) from the consolidated group and recognition of the payment to be paid to Yissum Research Development Company of the Hebrew University of Jerusalem Ltd (Yissum). Note the Yissum payment is a cost of the Disposal as under an existing agreement between PTL and Yissum an exit fee must to be paid to Yissum to allow the change in control of PTL – the exit fee is 2% of the exit consideration (which is equivalent to a total of CAD$160,000 (A$164,048) through CAD$20,000 (A$20,506) in cash and CAD$140,000 (A$143,542) in HVT Shares.

(f) $300,000 in anticipated costs of the Disposal are paid.

(g) The following investment acquisitions were made by the Company since 31 December 2017:

(i) Dosecann Inc – A$2,545,047 in January 2018.

(ii) Cannabis Access – A$1,000,000 in April 2018.

(iii) Fire and Flower Inc. – A$1,018,953 in April 2018.

(iv) Martha Jane Medical – A$600,000 in May 2018.

(v) Bien Ventures – A$714,000 in June 2018.

(vi) BevCanna – A$510,000 in June 2018.

(vii) MediPharm – A$5,100,000 in June 2018.

(viii) Embark Health – A$153,000 in July 2018.

The cost of these investments has been deducted from cash.

(h) The following investments were sold by the Company since 31 December 2017:

(i) Dosecann Inc – Dosecann (Dosecann was taken over by Cannabis Wheaton Income Corp (TSX-V:CBW) in May 2018. The Company received 3.12 million common shares and 1.56 million warrants to purchase CBW shares at CAD$0.962 per share. The Company sold its CBW shares and warrants for net proceeds of A$5,832,677 in May 2018.

(ii) e-Sense Lab – the Company received net proceeds of A$193,891 in May 2018. The Company also received A$199,000 from e-Sense Lab as consideration for not receiving e-Sense Lab options which was a condition of the original acquisition of e-Sense Lab shares in November 2017.

The proceeds from the sale and the applicable profit and loss on sale have been added to cash and retained profits respectively.

(i) The operating expenses for the six months ended 30 June 2018 for the Company were A$1.3m.

(j) The issued capital for the Company increased by A$3.5m due to exercise of performance rights and options.

(k) reserves for the Company decreased by A$2.2m due to exercise of performance rights.

SCHEDULE 3 – TERMS OF DIRECTOR OPTIONS

(a) **Entitlement**

Each Director Option entitles the holder to subscribe for one Share upon exercise of the Director Option.

(b) **Exercise Price**

Subject to paragraph (k), the exercise price of the Director Options will be equal to 135% of the volume weighted average price at which Shares were traded on the ASX over the 5 consecutive trading days up to and including the actual date of issue (**Exercise Price**).

(c) **Expiry Date**

Each Director Option will expire at 5:00 pm (WST) on the date that is three (3) years from the date of issue. (**Expiry Date**). A Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Vesting Conditions**

Subject to (e), the Director Options shall vest and become exercisable over a period of two (2) years;

(i) 250,000 Director Options will vest on the date that is six (6) months after the date of issue;

(ii) 250,000 Director Options will vest on the date that is twelve (12) months after the date of issue;

(iii) 250,000 Director Options will vest on the date that is eighteen (18) months after the date of issue; and

(iv) 250,000 Director Options will vest on the date that is twenty-four (24) months after the date of issue.

(e) **Cessation of Employment**

Should the holder cease employment or engagement by the Company:

(i) Any unexercised Director Options that have vested as at the date of cessation of employment or engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the Option within a period of 6 months after the Cessation Date.

(ii) Any unexercised Options that have not vested as at the Cessation Date shall immediately lapse upon the Cessation Date.

(f) **Exercise Period**

The Options are exercisable at any time on and from the satisfaction of the relevant vesting condition set out in (d) above until the Expiry Date (**Exercise Period**).

(g) **Notice of Exercise**

The Director Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Director Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Director Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(h) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Director Option being exercised in cleared funds (**Exercise Date**).

(i) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

(i) issue the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Director Options.

If a notice delivered under (i)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(j) **Shares issued on exercise**

Shares issued on exercise of the Director Options rank equally with the then issued shares of the Company.

(k) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(l) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(m) **Participation in new issues**

There are no participation rights or entitlements inherent in the Director Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options without exercising the Director Options.

(n) **Change in exercise price**

A Director Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Director Option can be exercised.

(o) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(p) **Transferability**

The Director Options are not transferable.

GM Registration Card

If you are attending the meeting
in person, please bring this with you
for Securityholder registration.

MMJ PhytoTech Limited | ACN 601 236 417

Holder Number:

Vote by Proxy: MMJ

Your proxy voting instruction must be received by **2.00pm (AEST) on Wednesday, 26th September 2018,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at https://investor.automic.com.au/#/loginsah

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.

SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is 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.

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.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

AUTOMIC

CONTACT

Return your completed form:

BY MAIL
Automic Registry Services
PO Box 2226
Strawberry Hills NSW 2012

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

Contact us – All enquiries to Automic:

WEBCHAT
https://automic.com.au/

EMAIL
hello@automic.com.au

PHONE
1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

STEP 1: Please appoint a Proxy

Complete and return this form as instructed only if you do not vote online

I/We being a Shareholder entitled to attend and vote at the General Meeting of MMJ PhytoTech Ltd, to be held at **2.00pm (AEST) on Friday, 28th September 2018 at The Westin Sydney, 1 Martin Place, Sydney, NSW, 2000** hereby:

Appoint the Chairman of the Meeting (Chair) OR if you are not appointing the Chairman of the Meeting as your proxy, please write 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.

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.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS
Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 4 (except where I/we have indicated a different voting intention below) even though Resolution 4 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

STEP 2: Your Voting Direction

Resolutions	For	Against	Abstain
1. Approval of the Disposal			
2. Change to Nature of Activities			
3. Change of Company Name			
4. Issue of Director Incentive Options to Director – Douglas Halley			

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 3: Sign

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.. Contact Daytime Telephone.. Date ____/____/____

Email Address ____________________

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).

MMJ