

**MMJ Group Holdings Limited**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity:

MMJ Group Holdings Limited  
 ABN: 91 601 236 417

Reporting period:

For the half-year ended 31 December 2018

Previous period:

For the half-year ended 31 December 2017

**2. Results for announcement to the market**

		\$'000	31-Dec-18
Revenues from ordinary activities	up (1481%)	(2,099)	152
Loss from ordinary activities after tax attributable to the owners of MMJ Group Holdings Limited	up 20%	(12,694)	(10,622)
Loss for the half-year attributable to the owners of MMJ Group Holdings Limited	up (3%)	(12,694)	(13,104)

*Dividends*

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

*Comments*

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$12,694,000 (31 December 2017: \$10,622,000). The loss for the period included unrealised loss on investments of \$4,962,000.

The net assets of the consolidated entity decreased to \$51,732,000 as at 31 December 2018 from \$63,747,000 as at 30 June 2018. The primary reason for the decrease in net assets was unrealised and realised losses on the Company's investment in Harvest One Inc. (HVT) during the period.

The information should be read in conjunction with the most recent annual financial report.

**3. Net tangible assets**

	Reporting period	Previous period 30-Jun-18
	Cents	Cents
Net tangible assets per ordinary security	22.35	18.46

Note: the unaudited net tangible asset backing issued to the ASX on 14 January 2018 as at 31 December 2018 was 21.16 cents. The increase was due to completion of revaluation of unlisted investments and the statutory audit.

**4. Control gained over entities**

Not applicable.

**5. Loss of control over entities**

On 25 June 2018 MMJ executed a share sale contract to sell 100% of PhytoTech Therapeutic Limited (PTL) to HVT. From 1 April 2018 PTL was fair valued according to the sale price as per contract. PTL was

deconsolidated on 1 April 2018 due to MMJ being classified as an Investment Entity in accordance with AASB 10 Consolidated Financial Statements.

The disposal of PTL was approved by MMJ shareholders on 5 October 2018 and completed on 20 November 2018.

#### **6. Dividends**

Current period

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

Previous period

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

#### **7. Dividend reinvestment plans**

Not applicable.

#### **8. Details of associates and joint venture entities**

Not applicable.

#### **9. Foreign entities**

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

Not applicable.

#### **10. Audit qualification or review**

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

The financial statements were subject to a review by auditors, BDO Audit (WA) Pty Ltd, and the review report is attached as part of the Half-Year Financial Report.

#### **11. Attachments**

*Details of attachments (if any):*

The Half-Year Financial Report of MMJ Group Holdings Limited for the half-year period ended 31 December 2018 is attached.



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Date: 22 February 2019  
Jim Hallam  
Company Secretary

**MMJ Group Holdings Limited**

**ABN 91 601 236 417**

**Half-Year Financial Report - 31 December 2018**

**MMJ Group Holdings Limited**  
**Corporate directory**  
**31 December 2018**

MMJ is a Listed Investment Company. As such it is an investor owning minority stakes in cannabis and hemp businesses with Australia and overseas.

**Directors**

Mr Peter Wall (Non-Executive Chairman)  
Mr Winton Willesee (Non-Executive Director)  
Mr Doug Halley (Non-Executive Director)  
Mr Michael Curtis (Non-Executive Director)

**Chief Executive Officer**

Mr Jason Conroy (resigned, effective on 1 March 2019)

**Chief Financial Officer and Company Secretary**

Mr Jim Hallam

**Registered office and principal place of business**

Suite 518, Level 5,  
165-167 Phillip Street,  
Sydney NSW 2000

Telephone: +61 2 8098 0819  
Facsimile: +61 2 8080 8315  
Email: [info@mmjgh.com.au](mailto:info@mmjgh.com.au)

**Share register**

Automic Registry Services  
Level 2  
267 St Georges Terrace  
Perth WA 6000

Telephone: +61 1300 288 664

For all enquiries regarding shareholdings and related matters please contact the share registrar

**Auditor**

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

**Stock exchange listing**

MMJ Group Holdings Limited securities are listed on the Australian Securities Exchange (ASX code: MMJ).

**Website**

[www.mmjgh.com.au](http://www.mmjgh.com.au)

## **MMJ Group Holdings Limited**

### **Chairman's letter**

**25 February 2019**

Dear Shareholders,

MMJ Group Holdings Limited (ASX: MMJ) ("MMJ" or "the Company") is pleased to provide its review of operations for the half-year period ended 31 December 2018.

The Board is excited by the outlook of the company as all of its investments are well positioned to participate in the significant growth expected in each of their market segments. Notably, and most importantly, our largest investment Harvest One is in the early stages of a turnaround with the appointment of Grant Froese as Chief Executive in July 2018.

Since 31 December 2018 MMJ's post-tax Net Tangible Assets had improved from 22 cents to 30 cents per share as at 21 February 2019. This is significantly higher than MMJ's current share price.

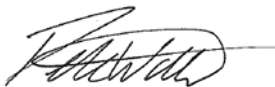
We see a positive outlook for MMJ's investment portfolio, including the debut listing of Fire & Flower on the TSX Venture Exchange completed on 19 February 2019 and further business development announcements across MMJ's portfolio in the coming months.

MMJ has a robust corporate cash balance providing more than a year of working capital and a portfolio that includes a majority of liquid investments.

As recently announced, Jason Conroy is resigning as Chief Executive Officer on 1 March 2019. This is primarily due to family reasons arising from the unique challenges involved in building and managing a portfolio of early stage investments across different countries and time zones. We are very proud of the portfolio that we have built over the past year and believe that it is well-positioned to thrive under new leadership.

The Board is well advanced to appoint a new leader in the next few months to take the portfolio forward and maximise the potential that we see in it.

Yours Sincerely,



Peter Wall  
Chairman

## Investment Portfolio

Table 1<sup>1</sup>

Investment	TSXV Code	Investment date	Country	Company type	Investment structure	Business	Book Value AUD\$m (unaudited) 21/02/2019 AUDm	Weight
Harvest One	HVT	Apr-17	Canada	Public	Shares	Health and wellness products	37.1	49%
MediPharm Labs	LABS	Jun-18	Canada	Public	Shares + warrants	Extraction	16.2	21%
Fire & Flower	FAF	Apr-18	Canada	Public	Shares + warrants	Retail stores	2.7	4%
<b>Listed investments</b>							<b>56.0</b>	<b>73%</b>
Weed Me		Dec-17	Canada	Private	Convertible note + warrants	Cultivation	7.8	10%
Embark Health		Jul-18	Canada	Private	Shares and Warrants	Extraction	3.6	5%
VitaGenne		Nov-18	USA	Private	Shares	Hemp CBD	1.4	2%
BevCanna		Jun-18	Canada	Private	Shares	Beverages	1.3	2%
Cannabis Access		Apr-18	Australia	Private	Shares	Clinics	1.1	1%
Bien		Jun-18	Canada	Private	Shares + warrants	Research and development	1.0	1%
Martha Jane Medical		May-18	Australia	Private	Shares	Extraction	0.6	1%
<b>Unlisted investments</b>							<b>16.8</b>	<b>22%</b>
Corporate cash							72.8	95%
<b>Total</b>							<b>76.3</b>	<b>100%</b>

### Brief description of each investment

- Harvest One Cannabis Inc: Canadian cannabis cultivation and products company;
- MediPharm Labs Inc: Canadian medical cannabis oil production facility;
- Weed Me Inc: Canadian cannabis cultivation company;
- Fire & Flower Inc: Canadian corporate retail cannabis store chain;
- BevCanna Enterprises Inc: Canadian fully premium-based cannabis infused beverage manufacturer;
- Bien Ventures Ltd: Canadian intellectual property and manufacturing company;
- Embark Health Inc: Canadian company aiming to build a state-of-the-art THC, CBD, and CBG extraction facility to service Canada's medical and recreational cannabis markets;
- Cannabis Access: Australia's leading online portal and clinics for medical cannabis access;
- Martha Jane Medical Limited: Australian holder of a medical cannabis licence and progressing applications for other classes of Australian cannabis licences; and
- Vitagene Inc: hemp-derived cannabidiol (CBD) product company focused on providing health and wellness goods in the United States. Its mission is to be the leading supplier of branded hemp-derived CBD wellness products, nutraceuticals and dietary supplements.

<sup>1</sup> Tables may not adding due to rounding

## Portfolio Outlook

Table 2

Investee	Outlook for the next 12 months
Harvest One (TSXV: HVT)	<ul style="list-style-type: none"> <li>• Cultivation capacity: targeting 20,000 kg per annum of owned cannabis cultivation capacity by the end of the 2019 calendar year</li> <li>• Satipharm: annual revenue run-rate of CAD\$10 million by 30 June 2019</li> <li>• Dream Water: annual revenue run-rate to double to CAD\$12 million in the next 6 to 8 months</li> <li>• Burb: 8 to 10 retail cannabis stores targeted in British Columbia by mid-2019 calendar year</li> </ul>
MediPharm Labs (TSXV: LABS)	<ul style="list-style-type: none"> <li>• Increase customised processing capacity to an expected 250,000kg of dry cannabis per year by the end of Q2/CY19 (fully-funded)</li> <li>• Continue to sign up new customers</li> </ul>
Weed Me	<ul style="list-style-type: none"> <li>• Build out their cannabis cultivation facility in Ontario</li> <li>• Receive a retail sales licence</li> </ul>
Embark Health	<ul style="list-style-type: none"> <li>• Build their cannabis extraction and product manufacturing facility in British Columbia</li> <li>• Become a Licensed Dealer</li> </ul>
Fire & Flower	<ul style="list-style-type: none"> <li>• List on the TSX-V under the symbol "FAF"</li> <li>• Continue to establish retail cannabis stores across Canada</li> </ul>
BevCanna	<ul style="list-style-type: none"> <li>• Build their cannabis beverages manufacturing facility in British Columbia</li> <li>• Become an ACMPR Licensed Producer</li> </ul>
Bien	Create proprietary products at their cannabis derivatives manufacturing facility in Alberta
VitaGenne	Commence sales of their hemp-derived CBD tinctures, gel capsules, pain and repairing creams in the United States
Cannabis Access Clinics	Continue to establish new medical cannabis clinics across Australia
Martha Jane Medical	Build their Tasmanian cannabis extraction business subject to obtaining a manufacturing licence (application in process) and further funding

On 14 February 2019, the consolidated entity announced that it had committed to invest AUD1 million of ordinary equity for a 10% ownership interest in Trichomia Pty Limited ("Hemple"). Settlement of MMJ's subscription is subject to Hemple satisfying some conditions precedent regarding its ownership structure. MMJ investment is expected to be settled by 8 April 2019.

### Board and Management changes

The key management change during the reporting period was where MMJ's Chief Operating Officer's position held by Ms Catherine Harvey was made redundant with effect on 13 August 2018.

Subsequent to the period end:

- a) Mr Michael Curtis was appointed a Non-Executive Director on 8 January 2019.
- b) The resignation of MMJ's Chief Executive Officer, Jason Conroy, was announced on 4 February 2019. It will be effective at the close of business on 1 March 2019. A global search for his replacement is underway.

## **MMJ Group Holdings Limited**

### **Directors' report**

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of MMJ Group Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year period ended 31 December 2018.

The Company changed its name to MMJ Group Holdings Limited on 12 October 2018 following shareholder approval on 5 October 2018.

#### **Directors**

The following persons were directors of MMJ Group Holdings Limited during the half year ended 31 December 2018 (Half Year) and up to the date of this report, unless otherwise stated:

Mr Peter Wall (Non-Executive Chairman)  
Mr Winton Willesee (Non-Executive Director)  
Mr Doug Halley (Non-Executive Director)  
Mr Michael Curtis (Non-Executive Director) (Appointed 8 January 2019)

#### **Principal activities**

MMJ's focus and strategies is that of an investment company with a focus on a diversified portfolio of cannabis sector investments for returns from capital appreciation, investment income, or both. The Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

#### **Dividends**

There were no dividends paid, recommended or declared during the current or previous Half Year.

#### **Review of operations**

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$12,694,000 (31 December 2017: loss of \$10,622,000).

A detailed review of the Company's operations during the Half Year is included in the pages preceding this Director's Report.

#### **Significant changes in the state of affairs**

The principal continuing activities of the consolidated entity consisted of a global cannabis investment company with a portfolio of minority investments, rather than having control over its investments.

The Company changed its name to "MMJ Group Holdings Limited" following shareholder approval on 5 October 2018.

On 5 October 2018 the Company's shareholders approved:

- a) The sale of PhytoTech Therapeutics Limited (PTL) to Harvest One Cannabis Inc (HVT)
- b) The relisting of the Company as 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 whereby an "Investment Entity" is one 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
- c) The change of the name of the Company to "MMJ Group Holdings Limited"
- d) The Company issuing 1,000,000 Options to Mr Douglas Halley who is a director of the Company

On 20 November 2018 the Company completed the sale of PTL to HVT receiving consideration of 8,326,695 fully paid ordinary shares in HVT (HVT Shares) and CAD1m in cash.

On 22 November 2018 the Company relisted as an investment entity on the ASX as defined in the ASX Listing Rules (Investment Entity) whereby an "Investment Entity" is one 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.

On 19 December 2018 the Company announced that MMJ's Board of Directors ("Board") has decided to take the opportunity to announce the intention to launch a share purchase plan, subject to MMJ shareholder approval at a meeting to be called in early 2019.

There were no other significant changes in the state of affairs of the consolidated entity during the Half Year.

#### **Events subsequent**

Mr Michael Curtis was appointed a Non-Executive Director on 8 January 2019.

The resignation of MMJ's Chief Executive Officer, Jason Conroy, was announced on 4 February 2019. It will be effective at the close of business on 1 March 2019. A global search for his replacement is underway.

On 14 February 2019, the consolidated entity announced that it had committed to invest AUD1 million of ordinary equity for a 10% ownership interest in Trichomia Pty Limited ("Hemple"). Settlement of MMJ's subscription is subject to Trichomia satisfying some conditions precedent regarding its ownership structure. MMJ investment is expected to be settled by 8 April 2019.

On 22 February 2019 the Company's shareholders approved:

- a) The issue of a share purchase plan (SPP) to raise up to \$10m
- b) The placement of any shortfall arising from the SPP
- c) The Company issuing 1,000,000 Options to Mr. Michael Curtis who is a director of the Company

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

#### **Likely developments and expected results of operations**

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

#### **Environmental regulation**

The operations of the Group are not subject to any particular and significant environmental regulations under a law of the Commonwealth or state. There have been no known significant breaches of any other environmental requirement.

#### **Rounding of amounts**

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

#### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Peter Wall  
Non-executive Chairman  
22 February 2019

**DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF MMJ GROUP HOLDINGS LIMITED**

As lead auditor for the review of MMJ Group Holdings Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of MMJ Group Holdings Limited and the entities it controlled during the period.



**Jarrad Prue**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 22 February 2019

**MMJ Group Holdings Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2018**

Revenue	Note	31-Dec-18 \$000	31-Dec-17 \$000
Interest received		86	64
Sales Revenue		0	182
Net foreign exchange gain/(loss)		411	(94)
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	5	(2,596)	0
<b>Total revenue</b>		<b>(2,099)</b>	<b>152</b>
<b>Other income</b>			
Gain on changes in fair value of biological assets		0	1,120
Foreign exchange gain/(loss) on changes in the fair value of equity investments at fair value through profit and loss	5	(76)	0
Changes in the fair value of equity investments at fair value through through profit and loss	5	(4,962)	0
Gain/(loss) on contingent deferred consideration shares		0	(674)
<b>Income from operating activities</b>		<b>(7,137)</b>	<b>598</b>
<b>Expenses</b>			
Administration expenses		(472)	(1,213)
ASX Compliance relisting expense		(433)	0
Compliance and regulatory expenses		(50)	(258)
Consultancy and legal expenses		(145)	(589)
Cost of Sales		0	(516)
Depreciation and amortisation expense		(4)	(522)
Employee and director related expenses		(492)	(1,663)
Equity based payments expense		(439)	(7,356)
Finance costs		(0)	(770)
Impairment of inventory		0	(214)
Marketing & investor relations		0	(419)
Research and development expense		0	(182)
<b>Total expenses</b>		<b>(2,035)</b>	<b>(13,702)</b>
<b>Loss before income tax expense</b>		<b>(9,173)</b>	<b>(13,104)</b>
Income tax expense	4	(3,521)	0
<b>Loss after income tax expense for the period</b>		<b>(12,694)</b>	<b>(13,104)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in the fair value of available for sale financial asset		0	250
Foreign currency translation		0	470
Other comprehensive income for the period, net of tax		0	720
<b>Total comprehensive profit/(loss) for</b>		<b>(12,694)</b>	<b>(12,384)</b>
Profit/(Loss) for the year is attributable to:			
Non-controlling interest		0	(2,482)
Owners of MMJ Group Holdings Limited		(12,694)	(10,622)
		<b>(12,694)</b>	<b>(13,104)</b>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		0	(2,482)
Owners of MMJ Group Holdings Limited		(12,694)	(9,902)
		<b>(12,694)</b>	<b>(12,384)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(5.52)	(5.06)
Diluted earnings per share		(5.52)	(5.06)

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

**MMJ Group Holdings Limited**  
**Statement of financial position**  
**As at 31 December 2018**

		31-Dec-18	30-Jun-18
	Note	\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,619	1,347
Trade and other receivables		108	110
Financial assets - held for trading		0	63,091
Financial assets at fair value through profit or loss	5	52,932	0
<b>Total Current Assets</b>		<b>55,659</b>	<b>64,548</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		49	55
Deferred tax assets		302	433
<b>Total Non-Current Assets</b>		<b>351</b>	<b>488</b>
<b>TOTAL ASSETS</b>		<b>56,011</b>	<b>65,036</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		(12)	390
<b>Total Current Liabilities</b>		<b>(12)</b>	<b>390</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax		4,291	899
<b>Total Non-Current Liabilities</b>		<b>4,291</b>	<b>899</b>
<b>TOTAL LIABILITIES</b>		<b>4,279</b>	<b>1,289</b>
<b>NET ASSETS</b>		<b>51,732</b>	<b>63,747</b>
<b>EQUITY</b>			
Contributed equity	7	52,936	49,064
Reserves	8	2,385	9,353
Accumulated losses		(3,589)	5,330
		51,732	63,747
<b>TOTAL EQUITY</b>		<b>51,732</b>	<b>63,747</b>

**MMJ Group Holdings Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2018**

<b>Consolidated</b>	<b>Contributed Equity \$'000</b>	<b>Other Reserves \$'000</b>	<b>Foreign Currency Translation Reserve \$'000</b>	<b>Accumulated Loss \$'000</b>	<b>Non- Controlling Interest \$'000</b>	<b>Total Equity \$'000</b>
<b>Balance at 1 July 2018</b>	<b>49,064</b>	<b>9,353</b>	<b>0</b>	<b>5,330</b>	<b>0</b>	<b>63,747</b>
Loss after income tax expense for the half year	0	0	0	(12,694)	0	(12,694)
Other comprehensive income for the half year, net of tax	0	0	0	0	0	0
Total comprehensive income for the half year	0	0	0	(12,694)	0	(12,694)
Transactions with owners in their capacity as owners:						
Exercise of options	240	(1,709)	0	1,709	0	240
Lapse of options	0	(2,066)	0	2,066	0	0
Conversion of performance rights	3,632	(3,632)	0	0	0	0
Cancellation of performance rights	0	0	0	0	0	0
Share-based payment	0	439	0	0	0	439
<b>Balance at 31 December 2018</b>	<b>52,936</b>	<b>2,385</b>	<b>0</b>	<b>(3,589)</b>	<b>0</b>	<b>51,732</b>

<b>Consolidated</b>	<b>Contributed Equity \$'000</b>	<b>Other Reserves \$'000</b>	<b>Foreign Currency Translation Reserve \$'000</b>	<b>Accumulated Loss \$'000</b>	<b>Non- Controlling Interest \$'000</b>	<b>Total Equity \$'000</b>
<b>Balance at 1 July 2017</b>	<b>44,954</b>	<b>16,914</b>	<b>503</b>	<b>(32,306)</b>	<b>11,810</b>	<b>41,875</b>
Loss after income tax expense for the half year	0	0	0	(10,622)	(2,482)	(13,104)
Other comprehensive income for the half year, net of tax	0	250	470	0	0	720
Total comprehensive income for the half year	0	250	470	(10,622)	(2,482)	(12,384)
Transactions with owners in their capacity as owners:						
Exercise of options	842	0	0	0	0	842
Harvest One option reserve	0	(321)	0	0	0	(321)
Harvest One convertible debentures	0	5,479	0	0	0	5,479
Conversion of performance rights	0	0	0	0	0	0
Cancellation of performance rights	0	0	0	0	0	0
Transactions with non-controlling interest	0	(1,200)	0	0	9,052	7,852
Share-based payment	0	7,356	0	0	0	7,356
<b>Balance at 31 December 2017</b>	<b>45,796</b>	<b>28,478</b>	<b>973</b>	<b>(42,928)</b>	<b>18,380</b>	<b>50,699</b>

**MMJ Group Holdings Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2018**

	6 months 31-Dec-18	6 months 31-Dec-17
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	0	64
Payments to employees & suppliers	(2,001)	(5,214)
	<u>(2,001)</u>	<u>(5,150)</u>
Interest received	44	64
Payments for financial assets at FVPL	(8,518)	0
Proceeds from disposal of financial assets at FVPL	11,747	0
Interest & other finance costs paid	0	(66)
<b>Net cash (used in)/from operating activities</b>	<b><u>1,272</u></b>	<b><u>(5,152)</u></b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	0	(631)
Payments for investments	0	(2,549)
Payments for intangible assets	0	(10)
<b>Net cash used in investing activities</b>	<b><u>0</u></b>	<b><u>(3,190)</u></b>
<b>Cash flows from financing activities</b>		
Proceeds received on exercise of options	0	842
Proceeds from exercise of warrants	0	675
Proceeds from issue of convertible debentures	0	19,130
<b>Net cash from financing activities</b>	<b><u>0</u></b>	<b><u>20,647</u></b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>1,272</b>	<b>12,305</b>
Cash at the beginning of the half year	1,347	23,801
<b>Cash &amp; cash equivalents at end of period</b>	<b><u>2,619</u></b>	<b><u>36,106</u></b>

**MMJ Group Holdings Limited**  
**Notes to the financial statements**  
**31 December 2018**

**Notes to financial statements**

**1. General information**

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2019. The directors have the power to amend and reissue the financial statements.

**2. Basis of preparation of half year report**

These interim financial report for the half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The interim report does not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

**New or amended Accounting Standards and Interpretations adopted**

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

- AASB 9 Financial Instruments; and
- AASB 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 2d below. The impact of these standards, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements. The Group currently does not generate any revenue from contracts with customers and hence there is no change to the Group's revenue recognition as a result of AASB 15.

**Changes in accounting policies**

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

*Reclassification from held for trading to Fair Value through Profit and Loss*

Certain investments in preference shares were reclassified from financial assets held for trading to financial assets at fair value through profit and loss (FVPL) (\$63,091,000 as at 30 June 2018). They do not meet the AASB 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

- a) AASB 9 Financial Instruments – Accounting Policies Applied from 1 July 2018

*Classification*

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At half year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

#### *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

#### *Impairment*

From 1 July 2018, the Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### b) AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

#### c) AASB 15 Revenue from Contracts with Customers – Accounting policies

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

#### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the half year reporting period ended 31 December 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

#### *AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 "Leases" and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a "right-of-use" asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a "right-of-use" asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. As at reporting date, the Group has non-cancellable operating lease commitments of \$0.2 million. Therefore, management does not expect the adoption of this accounting standard will have a material impact on the Group's financial performance and position.



### 3. Operating segments

During the half-year ending 31 December 2018, the consolidated entity was organised into one segment - investment entity.

#### *Segment Information*

##### Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

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

The information reported to the Chief Operating Decision Maker (CODM) is on a monthly basis.

Types of reportable segments:

##### Investment entity

As of 1 April 2018, for financial reporting purposes, MMJ's focus and strategies were transformed to that of an investment company with a focus on a diversified portfolio of cannabis sector investments for returns from capital appreciation, investment income, or both. The consolidated entity measures and evaluates the performance of substantially all of its investments on a fair value basis.

The segment note for half year ended 31 December 2018 reflects that MMJ's sole activity was an investment company.

The segment note for the half year ended 31 December 2017 reflects that MMJ was classified as when MMJ was organised into three operating segments: cultivation, processing and distribution and clinical development.

#### *Basis of accounting for purposes of reporting by operating segment*

##### Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Company.

#### *Segment assets*

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

#### *Segment liabilities*

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

## Operating segment information

Consolidated - 31 December 2018	Investment entity \$'000	Total \$'000
<b>Revenue</b>		
Net foreign exchange gain/(loss)	411	411
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	(2,596)	(2,596)
	<u>(2,185)</u>	<u>(2,185)</u>
Foreign exchange gain/(loss) on changes in the fair value of equity investments at fair value through profit and loss	(76)	(76)
Changes in the fair value of equity investments at fair value through through profit and loss	(4,962)	(4,962)
Consultancy and legal expenses	(145)	(145)
Employee and director related expenses	(492)	(492)
Equity based payments expense	(439)	(439)
Other expenses	(955)	(955)
EBITDA	<u>(9,255)</u>	<u>(9,255)</u>
Depreciation and amortisation	(4)	(4)
Interest received	86	86
<b>Profit/(loss) before income tax expense</b>	<u>(9,173)</u>	<u>(9,173)</u>
Income tax expense	(3,521)	(3,521)
<b>Profit after income tax expense</b>	<u>(12,694)</u>	<u>(12,694)</u>
<b>Assets</b>		
Segment assets	56,011	56,011
<b>Total assets</b>	<u>56,011</u>	<u>56,011</u>
<b>Liabilities</b>		
Segment liabilities	4,279	4,279
<b>Total liabilities</b>	<u>4,279</u>	<u>4,279</u>

Consolidated - 31 December 2017	Cultivation \$'000	Processing and distribution \$'000	Clinical developme nt \$'000	Unallocated \$'000	Investment entity \$'000	Total \$'000
EBITDA	(170)	(352)	(560)	(9,813)	0	(10,895)
Depreciation and amortisation						(521)
Interest revenue						64
Finance costs						(770)
Net loss on foreign exchange						(94)
Gain/(loss) on contingent deferred consideration						2,482
Impairment of inventory						(674)
Other income						(214)
<b>Profit/(loss) before income tax expense</b>	<u>(170)</u>	<u>(352)</u>	<u>(560)</u>	<u>(9,813)</u>	<u>0</u>	<u>(10,622)</u>
Income tax expense						0
<b>Profit/(loss) after income tax expense</b>	<u>(170)</u>	<u>(352)</u>	<u>(560)</u>	<u>(9,813)</u>	<u>0</u>	<u>(10,622)</u>
<b>Assets</b>						
Segment assets					65,036	65,036
<b>Total assets as at 30 June 2018</b>						<u>65,036</u>
<b>Liabilities</b>						
Segment liabilities					1,289	1,289
<b>Total liabilities as at 30 June 18</b>						<u>1,289</u>

## 4. Income Tax

31-Dec-18

### a) Income tax Expense

Major components of income tax expense are:

Current tax	
Deferred tax	3,521
Income tax expense reported in the income statement	<u>3,521</u>

### b) Numerical reconciliation

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on loss from ordinary activities before income tax at 30% (2017: 27.5%)	(9,174)
- Difference in tax rates	(2,752)
- Non-deductible share based payments	-
- Revaluations	132
- Accounting gain/(loss) on investment	5,068
- Other permanent adjustments	1,147
	<u>(74)</u>
	<u>(5,652)</u>

### c) Deferred tax asset balances

Revenue & capital losses - Australia	261
Temporary differences - Australia	41
	<u>302</u>
	302,469

### d) Unrecognised deferred tax asset balances

Revenue losses - Overseas	82
	<u>82</u>

### e) Deferred tax liabilities balances

Intangibles	
Revaluation on investments	(4,399)
Foreign Exchange	108
	<u>(4,291)</u>

There are no comparative balances as there were no taxation balances as at 31 December 2017.

## 5. Current assets - financial assets held Fair Value through Profit and Loss

### a) Financial assets held for trading

	Consolidated 2018 31-Dec \$000	Consolidated 2018 30-Jun \$000
<b>Reclassification from financial assets held for trading</b>		
Investment in Bien Ventures Ltd	0	715
Investment in BevCanna Enterprises Inc	0	505
Investment in Biologics Research Institute Australia Pty Ltd ("Cannabis Access")	0	1,000
Investment in Fire&_Flower Inc.	0	1,025
Investment in Harvest One Cannabis Inc.	0	42,256
Investment in Martha Jane Medical Limited	0	600
Investment in MediPharm Labs Inc	0	5,123
Investment in PhytoTech Therapeutics Ltd	0	8,033
Convertible debenture receivable - Weed Me Inc	0	3,834
	0	63,091

### b) Financial assets at fair value through profit and loss

<b>Financial assets at fair value through profit and loss</b>		
Investment in Bien Ventures Ltd	1,033	0
Investment in BevCanna Enterprises Inc	1,299	0
Investment in Biologics Research Institute Australia Pty Ltd ("Cannabis Access")	1,000	0
Investment in Embark Health Inc	3,503	0
Investment in Fire&_Flower Inc.	2,905	0
Investment in Harvest One Cannabis Inc.	22,519	0
Investment in Martha Jane Medical Limited	600	0
Investment in MediPharm Labs Inc	10,829	0
Investment in Weed Me Inc	7,828	0
Investment in Vitagenne Inc.	1,416	0
	52,932	0

#### Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

<b>Opening fair value</b>	<b>0</b>
Reclassification from financial assets held for trading	63,091
Additions - financial assets at fair value through profit and loss	8,692
Changes in the fair value of equity investments at fair value through through profit and loss	(4,962)
Net foreign exchange gain/(loss)	531
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	(2,596)
Foreign exchange gain on changes in the fair value of equity investments at fair value through profit and loss	(76)
Disposal of financial assets at fair value through profit and loss	(11,747)
<b>Closing fair value</b>	<b>52,932</b>

#### Accounting policy - Valuation principles

MMJ's general approach to valuations includes valuing assets in accordance with accounting standards and best practice principles, which currently is to value assets at net market value.

Securities comprise listed securities, unlisted securities and derivative securities. Securities are recorded at fair value through the profit or loss upon initial recognition as the investments are classified as held for at fair value through profit and loss. Costs incidental to the acquisition, conversion or disposal of securities and subsidiaries are recognised in the profit or loss when incurred.

After initial recognition, securities are measured at fair value as they are managed and their performance evaluated on a fair value basis in accordance with MMJ's Investment Strategy.

Unrealised gains or losses on securities are recognised through profit or loss and represent:

- i. Movements in the fair value of securities which are held as at the end of the reporting period.
- ii. Unrealised gains or losses on securities which are held as at the end of the reporting period are calculated as the difference between the fair value at the end of current reporting period and the fair value at the end of previous reporting period or the date the securities are acquired.
- iii. Reversal of any life-to-date unrealised gains or losses as at the previous reporting period in connection with any securities that have been sold, restructured, settled or terminated in the current reporting period.
- iv. Realised gains and losses on securities are recognised through profit or loss upon the sale, restructure, settlement or termination of securities and are calculated as the difference between the settlement amount and the fair value upon initial recognition.
- v. Purchases and sales of securities that require delivery of securities within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date that MMJ commits to purchase or sell the securities.

## 6. Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated - 31 December 2018</b>				
<b><i>Financial assets held at fair value through profit and loss</i></b>				
Listed investments	33,348	0	0	33,348
Unlisted investments	0	0	14,668	14,668
Convertible debenture receivable	0	0	4,916	4,916
<b>Total assets</b>	<b>33,348</b>	<b>0</b>	<b>19,584</b>	<b>52,932</b>
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated - 30 June 2018</b>				
<b><i>Equity investments at fair value through profit and loss</i></b>				
Listed investments	42,256	0	0	42,256
Unlisted investments	0	8,033	8,968	17,001
Convertible debenture receivable	0	0	3,834	3,834
<b>Total assets</b>	<b>42,256</b>	<b>8,033</b>	<b>12,802</b>	<b>63,091</b>

The following table presents the changes in level 3 instruments for the half-year ended 31 December 2018:	<b>Unlisted equity securities \$'000</b>	<b>Convertible debenture receivable \$'000</b>	<b>Total \$'000</b>
<b>Opening balance 1 July 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfer from financial assets held for trading	8,968	3,834	<b>12,802</b>
Transfer to level 1	(5,074)	0	<b>(5,074)</b>
Disposals		0	<b>0</b>
Acquisitions	4,446	0	<b>4,446</b>
Net foreign exchange gain/(loss)			<b>0</b>
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	301	0	<b>301</b>
Foreign exchange gain/(loss) on changes in the fair value of equity investments at fair value through profit and loss	(7)	62	<b>56</b>
Changes in the fair value of equity investments at fair value through through profit and loss	6,032	1,019	<b>7,052</b>
<b>Closing balance 31 December 2018</b>	<b>14,668</b>	<b>4,916</b>	<b>19,584</b>

Other than the transfer of equity securities from level 3 to level 1 explained above there were no transfers between the levels of the fair value hierarchy in the six months to 31 December 2018. There were also no changes made to any of the valuation techniques applied as of 30 June 2018.

Level 3 financial assets held for trading unobservable inputs and sensitivity are as follows:

<b>Description</b>	<b>Unobservable inputs</b>	<b>Sensitivity</b>
Unlisted investments	Issue price of shares from latest significant capital raising or acquisition cost	Decrease share price on last equity issue decreases fair value
Convertible debenture receivable	Issue price of shares from latest significant capital raising	Decrease share price decreases fair value
	Volatility	Increased volatility significantly increases or decreases fair value

#### *Accounting policy for fair value measurement*

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected

based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

#### *Fair value in active market (Level 1)*

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The Company values its investments in accordance with the accounting policies set out in note 2 of the financial statements.

For the majority of its investments, the Company relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Company is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Company holds derivatives with offsetting market risks, it uses midmarket prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### *Fair value in an inactive or unquoted market (Level 2 and Level 3)*

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of a recent share price from capital raising and option pricing models that provides a reliable estimate of prices obtained in actual market transactions.

For option pricing models, inputs are based on available market data. Fair values for unquoted equity investments are estimated, using the latest share price from capital raising. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

## **7. Equity - issued capital**

<i>Movements in ordinary share capital</i>	<b>31-Dec-18</b>	<b>30-Jun-18</b>	<b>31-Dec-18</b>	<b>30-Jun-18</b>
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	230,148,985	221,398,985	52,936	49,064
<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
Balance	<b>1-Jul-18</b>	221,398,985		49,064
Exercise of performance rights	5-Jul-18	4,500,000	\$0.47	2,115
Exercise of performance rights	5-Jul-18	1,500,000	\$0.47	705
Exercise of performance rights	5-Jul-18	250,000	\$0.43	107
Exercise of performance rights	5-Jul-18	1,500,000	\$0.20	705
Exercise of Options	5-Jul-18	1,000,000	\$0.00	240
Balance	<b>31-Dec-18</b>	<u>230,148,985</u>		<u>52,936</u>

#### *Issue of options to non-executive director*

On 16 March 2018, Mr Doug Halley was appointed as a Non-Executive Director of MMJ. Following shareholders approval, he was issued with 1,000,000 Options. These Options will vest and become exercisable over a period of three years from the date of issue of 24 October 2018. For accounting purposes, the vesting period of these Options started on the date of his appointment. As a result, \$81,621 was recognised as share based payment as at 30 June 2018.

The fair value of the Options issued to Mr Doug Halley was revised as at the date of issue using the Black-Scholes option valuation methodology and applying the following inputs:

Exercise price \$0.41  
 Expiry date 24 October 2021  
 Issue date 24 October 2018  
 Risk-free rate 2.06%  
 Volatility 80%  
 Total Options to be issued 1,000,000  
 Total value of Options \$158,000  
 Amount expensed in current period \$25,894  
 Amount to be expensed in future years \$50,484  
 Vesting conditions: 25% of the Options shall vest at the end of each of the four successive six-month periods following the date of issue.

As vesting conditions apply to Options issued to Mr Doug Halley, the cost is recognised over the period in which the service conditions are fulfilled, ending on the date on which the relevant employee become fully entitled to the award (the vesting period).

There were no other Options issued to directors and other Key Management Personnel during half year ended 31 December 2018.

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised for the period. No cumulative expense is recognised for awards that ultimately do not vest (in respect of non-market vesting conditions).

#### *Ordinary Shares*

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

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

#### *Preference Shares*

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

Preference Shares do not have any voting rights.

### **8. Equity - reserves**

	2018 31-Dec \$000	2018 30-Jun \$000
Options reserve	1,672	5,342
Performance rights reserve	712	4,011
	<u>2,385</u>	<u>9,353</u>

### **9. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

### **10. Contingent liabilities**

The Company had no contingent liabilities as at 31 December 2018.



## 11. Commitments for expenditure

There have been no material changes in expenditure commitments as at 31 December 2018 since 30 June 2018.

## 12. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	31-Dec %	30-Jun %
PhytoTech Medical (UK) Ltd	United Kingdom	100	100
PhytoTech Therapeutics Ltd*	Israel	0%	100

\* On 25 June 2018 MMJ executed a share sale contract to sell 100% of PhytoTech Therapeutic Limited (PTL) to HVT. From 1 April 2018 PTL was fair valued according to the sale price as per contract. PTL was deconsolidated on 1 April 2018 due to MMJ being classified as an Investment Entity in accordance with AASB 10 Consolidated Financial Statements.

The disposal of PTL was approved by MMJ shareholders on 5 October 2018 and completed on 20 November 2018.

## 13. Events after the reporting period

Mr Michael Curtis was appointed a Non-Executive Director on 8 January 2019.

The resignation of MMJ's Chief Executive Officer, Jason Conroy, was announced on 4 February 2019. It will be effective at the close of business on 1 March 2019. A global search for his replacement is underway.

On 14 February 2019, the consolidated entity announced that it had committed to invest AUD1 million of ordinary equity for a 10% ownership interest in Trichomia Pty Limited ("Hemple"). Settlement of MMJ's subscription is subject to Hemple satisfying some conditions precedent regarding its ownership structure. MMJ investment is expected to be settled by 8 April 2019.

On 22 February 2019 the Company's shareholders approved:

- The issue of a share purchase plan (SPP) to raise up to \$10m
- The placement of any shortfall arising from the SPP
- The Company issuing 1,000,000 Options to Mr. Michael Curtis who is a director of the Company

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## 14. Earnings per share

	Consolidated	
	31-Dec-18 \$'000	31-Dec-17 \$'000
Loss after income tax	(12,694)	(13,104)
Non-controlling interest	0	2,482
Loss after income tax attributable to the owners of MMJ Group Holdings Limited	<u>(12,694)</u>	<u>(10,622)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	229,957,728	210,049,552
Adjustments for calculation of diluted earnings per share		
Options over ordinary shares		
Performance rights over shares		
Weighted average number of ordinary shares used in calculating diluted earnings per share	229,957,728	210,049,552
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(5.52)	(5.06)
Diluted earnings per share	(5.52)	(5.06)

**MMJ Group Holdings Limited**  
**Directors' declaration**  
**31 December 2018**

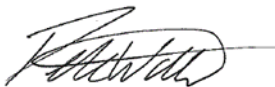
In the directors' opinion:

the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- a) the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Peter Wall  
Non-executive Chairman

22 February 2019

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MMJ Group Holdings Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of MMJ Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' responsibility for the Half-Year Financial Report

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

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

**BDO Audit (WA) Pty Ltd**

BDO

A handwritten signature in black ink, appearing to read 'J Prue', written in a cursive style.

**Jarrad Prue**

**Director**

Perth, 22 February 2019