MMJ Group Holdings Limited

ABN 91 601 236 417

Annual Report - 30 June 2020

Contents

Corporate Directory

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 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
Share register	Automic Registry Services Level 2 267 St Georges Terrace Perth WA 6000 Telephone: +61 1300 288 664
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
The Annual General Meeting of MMJ Group Holdings Limited will be held at:	
Venue:	
TIME:	2:00pm (AEST)
DATE:	Monday 2 November 2020
PLACE:	The Company is pleased to provide Shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where Shareholders will be able to watch, listen, and vote online.
Nominations for directorships of MMJ	Nominations of persons intending to propose his or her nomination as a director of MMJ Group Holdings Limited have to be lodged at the registered office by 21 September 2020.

Chairman's Letter

Dear Shareholders,

MMJ Group Holdings Limited (ASX: MMJ) ("MMJ" or "the Company") is pleased to provide its review of operations for the year ended 30 June 2020.

2020 saw MMJ implement its investment strategy to recycle capital raised from the sale of MediPharm Labs in 2018/19 into investment opportunities provided by existing and new investees. The significant new investments included existing investees Weed Me Inc ("Weed Me") and Embark Health Inc ("Embark"), whilst we also added new investees in WeedMD Inc ("WeedMD"), Sequoya Cannabis Limited ("Sequoya") and Bespoke A Limited Partnership ("Bespoke").

MMJ's Asset Manager, Embark Ventures Inc ("EbV"), has added considerable value in sourcing new investments to diversify our cannabis portfolio whilst also providing resources to actively manage MMJ's holdings in existing investments.

MMJ believes that the current market and industry sentiment surrounding cannabis companies has created opportunities to invest in listed and unlisted cannabis businesses in Canada and other countries at attractive valuations and prices.

In addition to opportunities to invest into new businesses in the global cannabis market in line with MMJ's investment mandate, MMJ also holds warrants (similar to 'options' in Australia) and contractual rights in a number of its existing listed and unlisted investments which provide opportunities for MMJ to make follow-on investments in businesses at a discount to future valuations and where MMJ is well placed to understand their potential returns.

In February 2020, MMJ announced a Share Purchase Plan ("SPP") with the Company receiving eligible subscriptions of $389,400 from 158 shareholders at the issue price of $0.08 per share. Those MMJ shareholders who supported the Company's SPP through subscribing for new shares at 8 cents have been rewarded with the share price appreciation. The funds raised were invested in a follow-on investment in Sequoya.

Whilst MMJ continues to hold high quality Cannabis investments, the Canadian cannabis investment market suffered a material downturn in valuation as evidenced by the 59% decline in MMJ's investment benchmark (Alternative Harvest ETF (MJ)[1]) over the period. The Canadian cannabis industry remains in a period of transition from business establishment to producing operational cashflow. This period of transition is expected to last for the majority of 2020. Investors are critically examining the capacity of Canadian companies to generate sales and earnings growth during the following 12 to 18 months with expectations that some companies will need to raise cash to continue the rollout of their business plans.

The impact of the Coronavirus (COVID-19) pandemic up to 30 June 2020 has not had a financial impact on MMJ. The internal operations of MMJ have not been significantly impacted and we have not observed a material adverse impact on the operations of our material investments or any consequential material specific impact from COVID-19 on MMJ's valuation, and/or any impact on recoverability of loans advanced during the year still receivable as at 30 June 2020.

The increased volatility in the Canadian equities market has limited the ability of cannabis investments in general to raise new funds and move from private to listed status. The decline in the value of Canadian cannabis companies was felt in the decline in the market value of MMJ's major investment, Harvest One (HVT), of approximately 87% to $5.6m generating an unrealised loss before tax of $38.5m. We consider that HVT's stated intention to raise additional capital has been a major contributor to HVT's under performance relative to the overall market. Other material changes during the period in the fair value of investees were:

a) the revaluation gain of $5.4m from our investment in Embark based on the price of its latest material capital raising;
b) devaluation of $1.5m from our investment in Weed Me following assessment of fair value based on MMJ assessment of fair value;

[1] MMJ uses the Alternative Harvest ETF (ticker symbol MJ) as its investment benchmark for the MMJ portfolio as it is a highly liquid portfolio trading in the North American market (where most of MMJ's holdings are based). MJ is listed on the New York Stock Exchange

c) realised loss of $3.6m from our residual investment in MediPharm Labs (based on the holding of warrants held at 30 June 2019). MMJ has made a total return of $25.3m on its investment in MediPharm Labs since acquisition; and

d) loss of $2.8m[2] on our investment in WeedMD based on decline in listed value of securities. It should be noted that MMJ holds its investment in unsecured convertible notes which MMJ has the option to hold to maturity for repayment and earns an interest of 8.5% per annum on the face value of MMJ's CAD6m investment.

In February 2020, HVT announced that it would undertake a strategic review in order to ensure that all available alternatives for HVT are being evaluated to maximise value for its shareholders. As HVT's largest shareholder, MMJ remains supportive of HVT's efforts to restructure its operations and capital base to achieve long-term success and recovery in the value of our investment. MMJ provided an interest bearing senior loan in January 2020 to fund HVT's restructure program. The loan was repaid in August 2020 from the proceeds of the sale of the HVT Duncan Facility. MMJ also received 17.1m common share purchase warrants as part of this loan transaction. We believe HVT is undervalued given its now leaner structure and Cannabis 2.0 assets. We are committed to working closely with HVT to realise that intrinsic value.

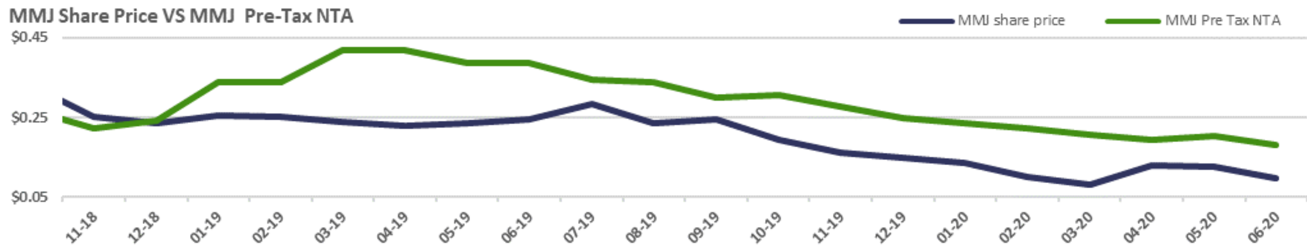
One of the Board's key aims is for its share price to better reflect its NTA given the latent returns from our portfolio companies. MMJ is well placed to continue to roll-out its investment strategy, key elements of which are:

a) for MMJ's Asset Manager, EbV, to work with MMJ's investees to understand their respective funding requirements and add value to the existing portfolio; and

b) to make further investments at currently depressed valuations in Canadian cannabis stocks which will materially add value to the portfolio during the next twelve months.

Chart One demonstrates the current discount of the MMJ share price to the pre-tax net tangible asset value (NTA).

Chart One



The Board appreciates the continued support of MMJ's shareholders during a challenging period in our efforts to generate positive returns for our shareholders and we remain committed to delivering value for all shareholders.

Yours Sincerely,

Peter Wall
Chairman

[2] Comprising unrealised investment loss and interest income

MMJ Objectives and Investment Process

About MMJ - the premier publicly listed cannabis investment vehicle in Australia

MMJ owns a portfolio of minority interests and seeks new investments across the full range of emerging cannabis-related sectors including healthcare, technology, infrastructure, logistics, processing, cultivation, equipment, and retail.

The Company has a proven track record in acquiring and realising significant value from its cannabis and hemp related investments.

MMJ provides its shareholders with:

a) An established portfolio of investments - primarily by securing investments in private cannabis businesses and participating in book-building for capital raisings which are not generally available to Australian retail and institutional investors.

b) A track record of strong market and financial discipline identifying opportunities and bottlenecks in the cannabis value-chain in markets and acting quickly.

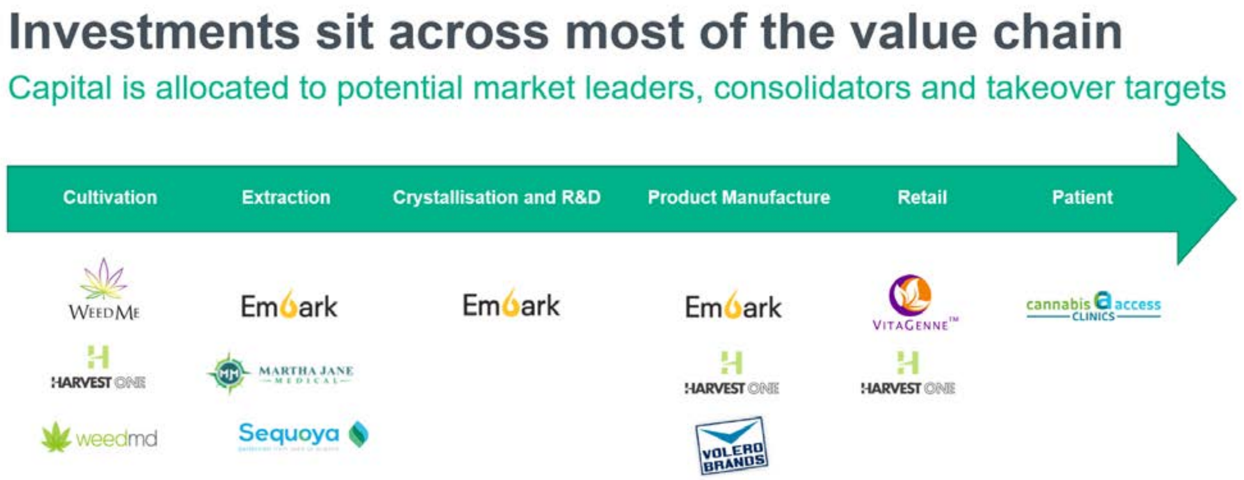
c) Significant leverage to the success of MMJ's largest investment in the strategic 26% shareholding in Harvest One Cannabis which is a global cannabis company that develops health and wellness products.

d) The benefits of an investment origination network that has provided access to investments in businesses capitalising on opportunities in Australia, Canada, United States of America, and Europe, which are large and growing recreational and medicinal markets.

e) A strategic relationship with EbV, MMJ's specialist management company, which manages MMJ's portfolio of investments.

MMJ's Investments sit across most of the cannabis and hemp value chain

Capital allocation is biased towards potential market leaders, consolidators and takeover targets:



Since 2015 MMJ has created a significant number of investment opportunities from its connections in Canada and Australia in the private investment sector and realised exits when it is to MMJ's benefit.

MMJ Investment Management Governance

MMJ has developed an appropriate, documented, and regularly updated due diligence process when investing in cannabis and hemp assets according to the investment strategy, objectives, and risk profile of MMJ.

In June 2019, the Board of MMJ decided to engage EbV to manage its cannabis and hemp investments. MMJ is responsible for approval of management decisions of the portfolio subject to certain authorities being delegated to EbV.

The MMJ due diligence process is supported by MMJ policies that govern the day-to-day management of MMJ including decision authorities, risk management policies and standards, performance standards and reporting protocols. Investment Policy details the components of the MMJ investment process for cannabis and hemp investments.

Investment Process of MMJ – Global Cannabis Sector Investments

Investment approval

The Board of MMJ is at all times responsible for MMJ's investments, including formulating, reviewing regularly and giving effect to an investment strategy that has regard to, amongst other things, whether reliable valuation information is available in relation to the investments.

The MMJ Board is responsible for setting MMJ's valuation policy and procedures and has delegated responsibility to MMJ management for overseeing its implementation.

The MMJ Board is the final approval level for acquisition and sale of investments proposals.

EbV has a responsibility for origination, execution, management and exit of MMJ's cannabis investments.

Investment proposals which involve exercise of rights attached to investments are subject to the delegations by the Board.

Board approval is required where a related party transaction is proposed.

Investment Approval Process

The Company has adopted an investment approval process which is based on current MMJ practice and the terms of the investment management agreement with EbV which commenced effective operation on 1 June 2019. The following section outlines the nature and processes of a generic investment approval process.

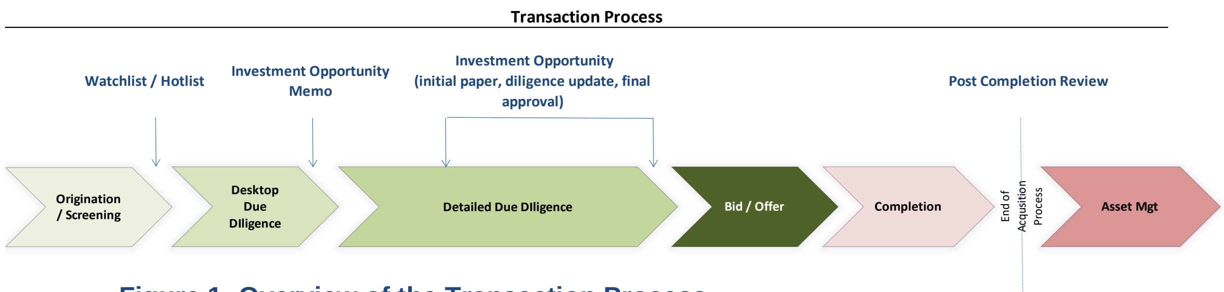


Figure 1: Overview of the Transaction Process

MMJ Investment Policy

MMJ has developed an Investment Policy which details portfolio constraints which must be satisfied at the date that MMJ enters documentation obliging it to acquire an individual investment. This policy is subject to periodic review by the Board of the Company time to time, to reflect market conditions, risk profiles, investment opportunities and the size of the Company.

The Investment Policy of MMJ is detailed in the following table:

Portfolio Guidelines	**Explanation**
Investment Objective	The investment objective of MMJ is to realise returns on its investments in excess of the Alternative Harvest ETF (ticker symbol MJ) which is used as its investment benchmark for the MMJ portfolio as it is a highly liquid portfolio trading in the North American market (where most of MMJ's holdings are based) 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.
Definition of Cannabis Assets	Cannabis Assets include a project, entity, or business involving emerging cannabis sector leaders in healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment and retail.
Target Geographies	Investments in jurisdictions such as Australia, Canada and Europe.
Percentage ownership of a Cannabis Asset	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.
Excluded Cannabis Assets	Federally-illegal jurisdictions such as the US.
Single Risk Limit	None.
Size of investments	Initial investment size of between AUD0.5m to AUD5m.
Minimum and maximum number of investments	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.
Target Returns for Cannabis Assets	Targeting 2-3x multiple on invested capital (MOIC) in 1-2-year time horizon.
Investee Asset Leverage Guidelines	None.
Investment Period Length	1-2 years targeted.

Our Investment Manager - Strategic Relationship with Embark Ventures Inc

The MMJ Board believes that MMJ should centre its asset management resource in Canada to better manage the existing portfolio and access new investment opportunities as we expect the majority of MMJ's investment portfolio to be located in North America. In order to realise this objective MMJ appointed EbV in June 2019 to act as asset manager of MMJ's cannabis and hemp investment portfolio. This management agreement provides strong alignment of the interests of MMJ and EbV and is expected to produce superior investment returns to shareholders.

One of the principals of EbV is Michael Curtis who is also a non-executive director of MMJ.

The MMJ Board determined that the new operating structure:

- Enhance access to new investment opportunities including unlisted investments
- Add material value to existing investments
- Minimises MMJ's fixed cost structure
- Secure a meaningful investment presence in MMJ's key investment market – North America

The appointment of EbV provides MMJ with access to EbV's full investment team including Michael Curtis and Mohan Nair in Toronto. Services to MMJ include assistance with deal sourcing, due diligence, deal negotiation, investment structuring, portfolio company monitoring and reporting, and resourcing any MMJ representation on boards at portfolio companies.

EbV is required to give MMJ priority to invest in opportunities that fit the criteria set out in the MMJ Investment Policy.

The MMJ board continues to be responsible for the investment decisions.

The key terms of the agreement with EbV are detailed on page 75 of the Annual Report.

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 "MMJ", "the Company" or "parent entity") and the entities it controlled ("the Group") at the end of, or during, the year ended 30 June 2020 ("Financial Period").

Directors

The following persons were directors of the Company during the Financial Period 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)

Principal activities

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

The operating revenues, expenses and cashflows of the MMJ consolidated entity for the Financial Period reflect the operations of MMJ which operates as an investment entity for financial reporting purposes comprising:

i. Revenue and other income – includes realised and unrealised gains/losses and interest income from investments.
ii. Operating expenses – the investment management and administration expenses required to operate as an investment company listed on the Australian Stock Exchange.

Dividends

On 7 June 2019, MMJ announced its intention to distribute 20% of its annual profit after tax after excluding unrealised gains and losses on investments (Annual Profit). The policy would first apply in respect of the Annual Profit for the year ended 30 June 2020. The dividend would be payable within three months of each half year after the completion of the half year and annual financial statements. It is MMJ's intention that the dividend would benefit from available franking credits held by MMJ. The Company had an Annual Loss of $3.2m for the financial year (i.e. excluding after tax impact of unrealised gains and losses on investments) and accordingly no dividend has been declared in respect of the year.

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $40.1m (30 June 2019: profit of $21.6m).

Coronavirus (COVID-19) pandemic

The impact of the Coronavirus (COVID-19) pandemic up to 30 June 2020 has not had a material financial impact for the controlled entity. The internal operations of MMJ have not been significantly impacted and we have not observed a material adverse impact on the operations of our material investments or any consequential material specific impact from COVID-19 on MMJ's valuation, and/or any impact on recoverability of loans advanced during the year still receivable as at 30 June 2020.

The increased volatility in the Canadian equities market has limited the ability of cannabis investments in general to raise new funds and move from private to listed status.

The loss for the period included the following return[3] from investments:

a) Total return/(loss) of $(37.9)m from our investment in HVT
b) Total return of $5.4m from our investment in Embark Health.
c) Total return/(loss) of $(1.7)m from our investment in Weed Me.
d) Total return/(loss) of $(3.6)m from our investment in MediPharm Labs; and
e) Total return/(loss) of $(2.8)m from our investment in WeedMD.

Operating overheads for the Financial Period were $1.8m[4] down from $2.8m from the previous financial year.

During the Financial Period, the net tangible asset backing per share decreased from 37.18 cents as at 30 June 2019 to 19.24 cents as at 30 June 2020 on which day the share price closed at 9.6 cents. The net tangible assets of the consolidated entity decreased primarily as a result of losses of $42.1m from investments.

a) Significant Acquisitions

During the Financial Period, the Company acquired the following material investments:

i. CAD3.6m follow on investment in privately-held Embark Health Inc ("Embark") – Canadian based extractor of THC, CBD, and CBG servicing Canada's medical and recreational cannabis markets.
ii. CAD3.3m investment (comprising shares and convertible note) in the privately-held Sequoya Cannabis Limited ("Sequoya") – a CAD2.5m secured convertible note facility to Sequoya, which may be drawn down in tranches (at MMJ's option). During the Financial Period MMJ advanced an initial CAD0.35m ("Initial Advance") to Sequoya under this convertible note facility.
iii. CAD1m secured convertible note facility as a follow-on investment in the privately-held Weed Me Inc ("Weed Me").
iv. USD1m investment in the unlisted Bespoke A Limited Partnership ("Bespoke") which in turn holds an investment in the publicly listed Bespoke Capital Acquisition Corporation which is a special-purpose Canadian investment entity for acquiring investments in the cannabis industry.
v. CAD6m investment in the Canadian-listed company WeedMD Inc. (TSX-V:WMD) ("WeedMD or WMD") which is a licensed producer of cannabis products for both the medical and adult-use markets.
vi. CAD2m secured loan to an existing investee, Harvest One to assist with a restructure of HVT.

b) Significant Divestment of Investments

During the Financial Period, the Company made the following material divestments:

i. Bevcanna Inc - The Company sold shares for net proceeds of CAD0.54m.
ii. Fire & Flower Inc. – The Company sold the balance of its shares for net proceeds of CAD0.9m.
iii. MediPharm Labs – The Company sold the balance of its warrants for net proceeds of CAD0.4m.

c) Appointment of Investment Manager

On 19 July 2019, the Company's shareholders approved:

i. The Management Agreement between the Company and Embark Ventures Inc ("EbV") which was effective from 1 June 2019.
ii. The issue of 12,000,000 performance rights to EbV as part of the Management Agreement.

[3] Return includes realised and unrealised gains/losses from securities and interest income where the investment includes loan securities.
[4] Excludes non-cash share-based payments expense.

Financial Position

The net tangible assets of the consolidated entity decreased by $41.4m during the Financial Period as a primarily result of losses of $42.1m from investments.

Cash holdings for the consolidated entity decreased by $25.3mm to $1m primarily as a result of the new investments ($20.6m) and payment of FY19 corporate tax liability of $5.9m.

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.

On 14 February 2020, MMJ announced a share purchase plan (“SPP”) with the Company receiving eligible subscriptions of $389,400 from 158 shareholders at the issue price of $0.08 per share. The funds raised were invested in a follow-on investment in Sequoya.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while the consolidated entity has not be able to identify a material impact on its operations up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 27 August 2020, Harvest One Cannabis Inc. repaid a loan of CAD2m to the consolidated entity.

No other matter or circumstance has arisen since 30 June 2020 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. The directors believe that there is potential for a material financial impact of the Coronavirus (COVID-19) pandemic on consolidated entity/group if it causes material changes in equity markets and the demand for cannabis products within Canada. The directors are not in a position to quantify such impact on the value of its investment or its likelihood.

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.

Information on directors

Name:	**Peter Wall**
Title:	Non-Executive Chairman LLB BComm MAppFin FFin
Experience and expertise:	Peter is a corporate lawyer and has been a Partner at Steinepreis Paganin (Perth based corporate law firm) since July 2005 and has a wide range of experience in all forms of commercial and corporate law, with a particular focus on medical cannabis, resources (hard rock and oil/gas), equity capital markets and mergers and acquisitions. He also has significant experience in dealing in cross border transactions.
Qualifications:	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.
Other current ASX directorships	• Non-Executive Chairman of Minbos Resources Ltd (appointed 21 February 2014) • Non-Executive Chairman of MyFiziq Ltd (appointed 25 May 2015) • Non-Executive Chairman of Transcendence Technologies Limited (appointed 6 October 2015) • Non-Executive Chairman of Pursuit Minerals Limited (previously Burrabulla Corporation Limited) (appointed 13 January 2016) • Non-Executive Chairman of Argent Minerals Ltd (appointed 23 April 2018)
Former ASX listed directorships (last 3 years):	• Ookami Limited (resigned January 2018) • Activistic Ltd (resigned 23 April 2018) • Zyber Holdings Limited (resigned 22 January 2018) • Sky & Space Global Ltd (resigned 4 December 2018) • Non-Executive Chairman of Mandrake Resources Limited (resigned 5 August 2019)
Interests in shares:	8,637,500 fully paid ordinary shares
Interests in options:	Nil
Interests in performance rights:	a) 833,333 unlisted Class N Performance Rights b) 833,333 unlisted Class O Performance Rights c) 833,334 unlisted Class P Performance Rights

Name:	**Winton Willesee**
Title:	Non-executive Director BBus., DipEd., PGDipBus., MCom., FFin, CPA, GAICD, FGIS/FCIS
Experience and expertise:	Winton is an experienced company director. Winton brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. He has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects.
Qualifications:	Winton holds formal qualifications in economics, finance, accounting, education and governance. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors, a Member of CPA Australia and a Fellow of the Governance Institute of Australia/Chartered Secretary.
Other current ASX directorships:	Non-Executive Director Nanollose Limited (ASX: NC6) Non-Executive Chairman of New Zealand Coastal Seafood Limited (ASX:NZS) Non-Executive Director Neurotech International Limited (ASX: NTI) Non-Executive Director eSense Lab Ltd (ASX ESE)
Former ASX listed directorships (last 3 years):	• Chairman of Metallum Ltd (now Kopore Metals Limited (ASX: KMT) (Resigned on 8 November 2017) • Chairman of Ding Sheng Xin Finance Co Limited (ASX:DXF) (delisted 15 May 2018)
Interests in shares:	1,600,000 fully paid ordinary shares
Interests in options:	Nil
Interests in performance rights:	a) 500,000 unlisted Class N Performance Rights b) 500,000 unlisted Class O Performance Rights c) 500,000 unlisted Class P Performance Rights

Name:	**Doug Halley**
Title:	Non-Executive Director
	BCom (UNSW), MBA (UNSW), FAICD
Experience and expertise:	Doug is an experienced company director and has also served for over 30 years as CFO or CEO in a number of significant and successful (mostly publicly-listed) commercial enterprises and investment banks. His executive experience had a heavy emphasis in corporate strategy, treasury, financial management, M&A and business development. As a professional director Doug has developed risk management and governance expertise. He has a strong background in IPO and start-ups and a reputation for innovation, perseverance and achieving solutions and results.
Qualifications:	Doug has a Bachelor of Commerce, Master of Business Administration and is a Fellow of the Australian Institute of Company Directors.
Other current ASX directorships:	Nil
Former ASX listed directorships (last 3 years):	• Freedom Insurance Group Ltd (resigned 21 February 2020)
Interests in shares:	292,500 fully paid ordinary shares
Interests in options:	1,000,000 Class L options
Interests in performance rights:	a) 500,000 unlisted Class N Performance Rights b) 500,000 unlisted Class O Performance Rights c) 500,000 unlisted Class P Performance Rights

Name:	**Michael Curtis**
Title:	Non-Executive Director
	B.Sciences, MBA
Experience and expertise:	Mr. Curtis resides in Toronto, Canada and is an experienced former investment banker and private equity executive. Mr Curtis is an active cannabis sector executive, having recently served as Vice President of Corporate Finance of Dosecann (an investee company prior to its successful divestment by MMJ in 2018) and now is a director of Embark Ventures Inc. (the manager of MMJ's cannabis and hemp investments) and former director of Embark Health Inc.(a current investee company of MMJ).
Qualifications:	Michael has a Master of Business Administration, University of New Brunswick, Major: International Finance and a Bachelor of Sciences (Honors), McMaster University.
Other current ASX directorships:	Nil
Former ASX listed directorships (last 3 years):	Nil
Interests in shares:	Nil
Interests in options:	1,000,000 Class M Options
Interests in performance rights:	Nil

Other current directorships and former directorships (last three years) quoted above are directorships for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

Information on Company Secretary

Mr Jim Hallam

Company Secretary and Chief Financial Officer ("CFO") (appointed as Company Secretary on 22 June 2018) BEc, ACIS/ACSA/MAICD

Jim has 23 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.

Meetings of directors

The number of meetings of the Company's Board of Directors ("the Board") held during the year ended 30 June 2020, and the number of meetings attended by each director were:

Directors	Board Meetings		Audit and Risk Committee	
	Number of Meetings Eligible to Attend	Number Attended	Number of Meetings Eligible to Attend	Number Attended
Peter Wall	8	8	2	2
Winton Willesee	8	8	2	2
Doug Halley	8	8	2	2
Michael Curtis	8	8	n/a	n/a

Held: represents the number of meetings held during the time the director held office.

Remuneration Report (audited)

The Remuneration Report details the Key Management Personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

For the purposes of this Remuneration Report, Key Management Personnel includes the following directors and senior executives who were engaged by the Company at any time during the year ended 30 June 2020:

(i) Non-Executive Directors

Mr Peter Wall Non-Executive Chairman (appointed 14 August 2014)
Mr Winton Willesee Non-Executive Director (appointed 21 October 2014)
Mr Doug Halley Non-Executive Director (appointed 16 March 2018)
Mr Michael Curtis Non-Executive Director (appointed 8 January 2019)

(ii) Key Management Personnel

Mr Jim Hallam CFO – MMJ Group Holdings Limited (appointed 3 April 2018)

The Remuneration Report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration.
- Details of remuneration.
- Service agreements.
- Share-based compensation.
- Additional disclosures relating to Key Management Personnel.

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness.
- Acceptability to shareholders.
- Performance linkage / alignment of executive compensation.
- Transparency.

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally.

The principles underpinning the consolidated entity's remuneration policy are that:

- Reward reflects the competitive global market in which we operate.
- Rewards to executives are linked to creating value for shareholders.
- Remuneration arrangements are equitable and facilitate the development of senior management across the consolidated entity.
- Where appropriate, senior managers may receive a component of their remuneration in appropriately structured equity securities to align their interests with those of the shareholders.

Non-Executive Directors' remuneration

Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The maximum aggregate remuneration approved for Non-Executive Directors is currently $500,000.

It is recognised that Non-Executive Directors' remuneration is ideally structured to exclude equity-based remuneration. However, whilst the Company remains small and the full Board, including the Non-Executive Directors, are included in the operations of the Company more closely than may be the case with larger companies the Non-Executive Directors are entitled to participate in equity-based remuneration schemes subject to shareholder approval.

All Directors are entitled to have their indemnity insurance paid by the Company.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The Company's remuneration policy for Executives is designed to promote superior performance and long-term commitment to the Company.

Overall remuneration policies provide a framework and quantum scale for remuneration whilst being subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is deemed by the Board to be in the interests of the Company and shareholders to do so.

Executive remuneration and other terms of employment are reviewed regularly by the Board having regard to performance, relevant comparative information and expert advice.

The Company's reward policy reflects its obligation to align Executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company.

The executive remuneration and reward framework has four components:

- Salary - Executives receive a sum payable monthly in cash
- Bonus - Executives are eligible to participate in a bonus or profit participation plan if deemed appropriate
- Long term incentives - Executives may participate in share option/performance right schemes at the discretion of the Board
- Other benefits - Executives are eligible to participate in superannuation schemes and other appropriate additional benefits.

The combination of these comprises the Executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ("STI") program is designed to align the targets of the business with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ("KPI's") being achieved. KPI's include profit contribution, leadership contribution and product management and may be set by the consolidated entity from time to time.

The long-term incentives ("LTI") include share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market direct competitors. Executives may participate in employee share option/performance right schemes at the discretion of the Board.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. The cash bonus paid to the Chief Financial Officer during the financial year was awarded at the discretion of the Board. Refer to the section below for details of the earnings and total shareholders return for the last five years.

The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Total revenue	(41,258)	33,642	(9,568)	122	292
Profit/(loss) before income tax	(42,902)	30,914	1,656	(14,144)	(14,699)
Income tax expense	2,821	(9,294)	(466)	-	-
Profit/(loss) after income tax	(40,082)	21,620	1,190	(14,144)	(14,699)

The factors that are considered to affect total shareholders return ("TSR") are summarised below :

	2020	2019	2018	2017	2016
Share price at start of financial year ($)	0.25	0.34	0.33	0.25	0.32
Share price at end of financial year ($)	0.10	0.25	0.34	0.33	0.25
Basic earnings per share (cents per share)	(17.70)	9.40	2.40	(6.71)	(10.67)
Diluted earnings per share (cents per share)	(17.70)	9.40	2.30	(6.71)	(10.67)

Metric	Target	Performance	Impact on incentive award
Share price	*Performance Rights* Class H - $0.60 Class I - $0.80 Class J - $1.00	*Share price was $0.10 at 30 June 2020*	Non vested
NAV/SP Average*	*Performance Rights* Class N - $0.4048 Class O - $0.5096 Class P - $0.5995	*NAV/SP average at 30 June 2020 was $0.18*	Non vested

* NAVS/SP Average is calculated as the simple average of the Net Asset value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP for shares calculated at month end).

Hedging of securities

In accordance with the Group's general share trading policy and employee share plan rules, participants are prohibited from engaging in hedging arrangements over unvested securities issued pursuant to any employee or director share plan, without prior approval of the Board.

Use of remuneration consultants

The Board may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. There were no external remuneration consultants engaged during the period to provide such services. The chairman's fees are determined independently of the fees of other Non-Executive Directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Voting and comments made at the Company's 2019 Annual General Meeting ("AGM")

At the 2019 AGM, 87.56% of the proxy votes cast at that meeting were in favour of the adoption of the Remuneration Report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Details of the remuneration of Key Management Personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits		Share based payments	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super contribution	annual and long service leave	Termination	Equity settled	Total
2020	$	$	$	$	$	$	$	$
Non-Executive Directors:								
Mr Peter Wall	72,000	-	-	-	-	-	-	72,000
Mr Winton Willesee	54,000	-	-	-	-	-	-	54,000
Mr Doug Halley	64,000	-	-	-	-	-	38,383	102,383
Mr Michael Curtis	-	-	-	-	-	-	55,942	55,942
Other Key Management Personnel:								
Mr Jim Hallam	227,867	25,000	-	22,133	7,264	-	41,421	323,685
	417,867	25,000	0	22,133	7,264	0	135,746	608,010

MMJ

	Short-term benefits			Post-employment benefits	Long-term benefits		Share based payments	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super contribution	annual and long service leave	Termination	Equity settled	Total
2019	$	$	$	$	$	$	$	$
Non-Executive Directors:								
Mr Peter Wall	72,000	-	-	-	-	-		72,000
Mr Winton Willesee	54,000	-	-	-	-	-		54,000
Mr Doug Halley	61,675	-	-	4,846	-	-	33,151	99,672
Mr Michael Curtis	21,484						42,274	63,758
Other Key Management Personnel:								
Mr Jason Conroy	201,185	-	-	19,000	0	-	(189,973)	30,212
Mr Jim Hallam	228,310	-	-	21,689	18,175	-	88,121	356,296
	638,654	0	0	45,535	18,175	0	(26,426)	675,938

Jason Conroy resigned as Chief Executive Officer on 1 March 2019. Share based payments for Jason Conroy were negative due to reversal on cessation of employment.

Details of remuneration

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 30-Jun-20	30-Jun-19	At risk - STI 30-Jun-20	30-Jun-19	At risk - LTI 30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Non-Executive Directors:								
Mr Peter Wall	100%	100%	-	-	-	-	100%	100%
Mr Winton Willesee	100%	100%	-	-	-	-	100%	100%
Mr Doug Halley	63%	67%	-	-	37%	33%	100%	100%
Mr Michael Curtis	-	34%	-	-	100%	66%	100%	100%
Other Key Management Personnel:								
Mr Jason Conroy	-	729%	-	-	-	(629%)	-	100%
Mr Jim Hallam	79%	75%	8%	-	13%	25%	100%	100%

Service agreements

Remuneration and other terms of employment for Key Management Personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Peter Wall
Title:	Non-Executive Chairman
Agreement commenced:	1-Sep-14
Term of agreement:	Effective from 1 September 2014
Details:	- Base Salary - MMJ Group Holdings Limited: AUD72,000 o 833333 Class N performance rights o 833,333 Class O performance rights o 833,334 Class P performance rights - Termination Benefit: Nil - Notice period: Nil

Name:	Mr Doug Halley
Title:	Non-Executive Director
Agreement commenced:	16-Mar-18
Term of agreement:	Effective from 16 March 2018
Details:	- Base Salary – AUD$54,000 per annum as Non-Executive Director; AUD$10,000 per annum as Chair of the Audit and Risk Committee. - 1,000,000 Options o 500,000 Class N performance rights o 500,000 Class O performance rights o 500,000 Class P performance rights - Termination Benefit: Nil - Notice period: Nil

Name:	Mr Winton Willesee
Title:	Non-Executive Director
Agreement commenced:	21-Oct-14
Term of agreement:	Effective from 21 October 2014
Details:	- Base Salary – AUD$54,000 per annum as Non-Executive Director - Performance-based Incentives o 500,000 Class N performance rights o 500,000 Class O performance rights o 500,000 Class P performance rights - Termination Benefit: Nil - Notice period: Nil

Name:	Mr Michael Curtis
Title:	Non-Executive Director
Agreement commenced:	8-Jan-19
Term of agreement:	Effective from 8 January 2019
Details:	- Base Salary – nil as Non-Executive Director (ceased receiving director fees as at 1 June 2019 as part of terms of appointment of Embark Ventures); - 1,000,000 Options. - Termination Benefit: Nil - Notice period: Nil

Name:	Mr Jim Hallam
Title:	Chief Financial Officer and Company Secretary
Agreement commenced:	3-Apr-18
Term of agreement:	Full time contract effective from 4 June 2018
Details:	- Base Salary - MMJ Group Holdings Limited: AUD $250,000 - Performance-based Incentives o 416,667 Class H performance rights o 416,666 Class I performance rights o 416,667 Class J performance rights o 416,667 Class N performance rights o 416,667 Class O performance rights o 416,666 Class P performance rights - Termination Benefit: 3 months - Notice Period (no fault): 3 months

Performance based remuneration granted and forfeited during the year

2020	LTI		
	Value Granted ($)	**Value forfeited ($)**	**Value exercised ($)**
Peter Wall	387,500	-	-
Winton Willesee	232,500	-	-
Doug Halley	232,500	-	-
Jim Hallam	193,750	92,084	-

The table above reflects the fair value of performance rights granted to Key Management Personnel during the year. No expense has been recognised with regards to the new performance rights granted as the probability of vesting is considered to be less likely rather than more likely.

During the Financial Period, the following performance rights were cancelled with agreement of the holder and replaced by the rights in detailed in note (a) on page 25:

i. 1,250,000 class H, I and J performance rights

The replacement of the performance rights was considered to be a modification. The fair value of the new performance rights issued was determined to be $0.155 which exceeds the fair value of the replaced performance rights. However, no expense has been recognised with regards to the new performance rights issued as the probability of vesting as disclosed in note (a) on page 25 is considered to be less likely rather than more likely.

Share-based compensation

Options

The terms and conditions of each grant of Options over ordinary Shares affecting remuneration of directors and other Key Management Personnel in this financial year or future reporting years are as follows:

Name	**Grant date**	**Vesting condition**	**Expiry date**	**Exercise price**	**Fair value per Option at grant date**	**Option balance as at 30 June 2020**
Mr Doug Halley	5-Oct-18	Subject to 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.	24-Oct-21	$0.41	$0.16	1,000,000
Mr Michael Curtis	22-Feb-19	Subject to 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.	3-Apr-22	$0.33	$0.11	1,000,000

Note

a) Doug Halley - Grant date represents date of shareholder approval. For accounting purposes, the vesting period of these Options started on the date of his appointment on 16 March 2018.

b) Michael Curtis - Grant date represents date of shareholder approval. For accounting purposes, the vesting period these Options started on the date of his appointment on 8 January 2019.

The fair value of the Options was determined using the Black-Scholes option valuation methodology.

Options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to or vested by directors and other Key Management Personnel as part of compensation during the year ended 30 June 2020 other than for:

Name	**Option class**	**No. of options which vested during Financial Period**	**No. of options which became exercisable during Financial Period**
Mr Doug Halley	L	500,000	500,000
Mr Michael Curtis	M	500,000	500,000

Performance rights

The terms and conditions of each grant of performance rights over ordinary Shares affecting remuneration of directors and other Key Management Personnel in this financial year or future reporting years are as follows:

Grant date	**Class**	**Vesting condition**	**Vesting date and exercisable date**	**Exercisable**	**Expiry date**	**Fair value per right at grant date**
15-Jun-18	Class H	Vests immediately upon the 20 day VWAP of shares on the ASX being at or above $0.60 on or before 26 February 2022	1-Mar-20	Rights may be exercised for up to 12 months from date of vesting	26-Feb-23	$0.127
15-Jun-18	Class I	Vests immediately upon the 20 day VWAP of shares on the ASX being at or above $0.80 on or before 26 February 2022	1-Mar-21	Rights may be exercised for up to 12 months from date of vesting	26-Feb-23	$0.063
15-Jun-18	Class J	Vests immediately upon the 20 day VWAP of shares on the ASX being at or above $1.00 on or before 26 February 2022	1-Mar-22	Rights may be exercised for up to 12 months from date of vesting	26-Feb-23	$0.031
28-Nov-19	Class N	Vests upon achieving a NAVS/SP Average of at least $0.4047 on or before 17 June 2021	17-Jun-21	Rights may be exercised for up to 12 months from date of vesting	17-Jun-22	$0.155
28-Nov-19	Class O	Vests upon achieving a NAVS/SP Average of at least $0.5096 on or before 17 December 2022	17-Dec-22	Rights may be exercised for up to 12 months from date of vesting	17-Dec-23	$0.155
28-Nov-19	Class P	Vests upon achieving a NAVS/SP Average of at least $0.5995 on or before 17 December 2022	17-Dec-22	Rights may be exercised for up to 12 months from date of vesting	17-Dec-23	$0.155

Note:

Class N,O and P - Grant date represents date of shareholder approval. For accounting purposes, the vesting period of these Performance Rights started on 31 August 2019.

Class N,O and P - For the purpose of the Milestones, NAVS/SP Average is calculated as the simple average of the Net Asset value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for shares calculated at month end.

Name	Class	Number of rights granted	Grant date	Vesting date	Exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Jim Hallam	H	416,667	15-Jun-18	as above	as above	as above	as above	as above
Jim Hallam	I	416,666	15-Jun-18	as above	as above	as above	as above	as above
Jim Hallam	J	416,667	15-Jun-18	as above	as above	as above	as above	as above
Jim Hallam	N	416,667	28-Nov-19	as above	as above	as above	as above	as above
Jim Hallam	O	416,667	28-Nov-19	as above	as above	as above	as above	as above
Jim Hallam	P	416,666	28-Nov-19	as above	as above	as above	as above	as above
Peter Wall	N	833,333	28-Nov-19	as above	as above	as above	as above	as above
Peter Wall	O	833,333	28-Nov-19	as above	as above	as above	as above	as above
Peter Wall	P	833,334	28-Nov-19	as above	as above	as above	as above	as above
Winton Willesee	N	500,000	28-Nov-19	as above	as above	as above	as above	as above
Winton Willesee	O	500,000	28-Nov-19	as above	as above	as above	as above	as above
Winton Willesee	P	500,000	28-Nov-19	as above	as above	as above	as above	as above
Doug Halley	N	500,000	28-Nov-19	as above	as above	as above	as above	as above
Doug Halley	O	500,000	28-Nov-19	as above	as above	as above	as above	as above
Doug Halley	P	500,000	28-Nov-19	as above	as above	as above	as above	as above

The Class H, I and J performance rights were valued using a hybrid up and in single share price barrier model. The Class N, O and P were valued using the share price at the date of grant.

a) Jim Hallam

On 31 August 2019, the Company agreed to issue performance rights to Mr Jim Hallam in his role as a Chief Financial Officer and Company Secretary of MMJ subject to shareholder approval. Following shareholders' approval on 28 November 2019, he was issued with 1,250,000 performance rights. These performance rights will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these performance rights started on 31 August 2019. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share-based payment expense was recognised for the Financial Period.

The fair value of the Class N, O and P performance rights was determined after applying the inputs below:

Jim Hallam

	Class N	Class O	Class P
Underlying share price	$0.155	$0.155	$0.155
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	$0.4048	$0.5096	$0.5995
Valuation date	28-Nov-19	28-Nov-19	28-Nov-19
Vesting period (years)	1.5	3	3
Probability	<50%	<50%	<50%
Number of rights	416,667	416,667	416,666
Fair Value per right	$0.155	$0.155	$0.155
Fair Value per tranche	$64,583	$64,583	$64,583
Value expense for the period	$0	$0	$0

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for Shares calculated at month end. The fair value per tranche is before application of management probability.

b) Doug Halley

On 31 August 2019, the Company agreed to issue performance rights to Mr Doug Halley in his role as a Non-Executive Director of MMJ subject to shareholder approval. Following shareholders' approval on 28 November 2019, he was issued with 1,500,000 performance rights. These performance rights will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these performance rights started on 31 August 2019. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share-based payment expense was recognised for the Financial Period.

The fair value of the Class N, O and P performance rights was determined after applying the inputs below:

Doug Halley

	Class N	Class O	Class P
Underlying share price	$0.155	$0.155	$0.155
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	$0.4048	$0.5096	$0.5995
Valuation date	28-Nov-19	28-Nov-19	28-Nov-19
Vesting period (years)	1.5	3	3
Probability	<50%	<50%	<50%
Number of rights	500,000	500,000	500,000
Fair Value per right	$0.155	$0.155	$0.155
Fair Value per tranche	$77,500	$77,500	$77,500
Value expense for the period	$0	$0	$0

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for Shares calculated at month end.

The fair value per tranche is before application of management probability.

c) Winton Willesee

On 31 August 2019 the Company agreed to issue performance rights to Mr Winton Willesee in his role as a Non-Executive Director of MMJ subject to shareholder approval. Following shareholders' approval on 28 November 2019, he was issued with 1,500,000 performance rights. These performance rights will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these performance rights started on 31 August 2019. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share-based payment expense was recognised for the Financial Period.

The fair value of the Class N, O and P performance rights was determined after applying the inputs below:

Winton Willesee

	Class N	Class O	Class P
Underlying share price	$0.155	$0.155	$0.155
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	$0.4048	$0.5096	$0.5995
Valuation date	28-Nov-19	28-Nov-19	28-Nov-19
Vesting period (years)	1.5	3	3
Probability	<50%	<50%	<50%
Number of rights	500,000	500,000	500,000
Fair Value per right	$0.155	$0.155	$0.155
Fair Value per tranche	$77,500	$77,500	$77,500
Value expense for the period	$0	$0	$0

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for Shares calculated at month end.

The fair value per tranche is before application of management probability.

d) Peter Wall

On 31 August 2019, the Company agreed to issue performance rights to Mr Peter Wall in his role as a Non-Executive Director of MMJ subject to shareholder approval. Following shareholders' approval on 28 November 2019, he was issued with 2,500,000 performance rights. These performance rights will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these performance rights started on 31 August 2019. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share-based payment expense was recognised for the Financial Period.

The fair value of the Class N, O and P performance rights was determined after applying the inputs below:

Peter Wall

	Class N	**Class O**	**Class P**
Underlying share price	$0.155	$0.155	$0.155
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	$0.4048	$0.5096	$0.5995
Valuation date	28-Nov-19	28-Nov-19	28-Nov-19
Vesting period (years)	1.5	3	3
Probability	<50%	<50%	<50%
Number of rights	833,333	833,333	833,334
Fair Value per right	$0.155	$0.155	$0.155
Fair Value per tranche	$129,167	$129,167	$129,167
Value expense for the period	$0	$0	$0

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for Shares calculated at month end.

The fair value per tranche is before application of management probability.

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary Shares granted to and vested by directors and other Key Management Personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Number of rights granted during the year **30-Jun-20**	Number of rights vested during the year **30-Jun-20**
Mr Peter Wall	2,500,000	0
Mr Winton Willesee	1,500,000	0
Mr Doug Halley	1,500,000	0
Mr Jim Hallam	1,250,000	0

Values of performance rights over ordinary Shares granted, vested and lapsed for directors and other Key Management Personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Value of rights exercised during the year	Value of rights granted during the year $	Value of rights vested during the year $	Value of rights forfeited/ cancelled during the year $	Remuneration consisting of rights for the year %
Mr Peter Wall	0	387,500	0	0	0%
Mr Winton Willesee	0	232,500	0	0	0%
Mr Doug Halley	0	232,500	0	0	0%
Mr Jim Hallam	0	193,750	0	0	13%

No Performance rights issued had vested as at 30 June 2020 and therefore cannot be exercised. Movement during the Financial Period year relates to the accounting expense over the vesting period.

Additional disclosures relating to Key Management Personnel

Shareholding

The number of Shares in the company held during the financial year by each director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received on the exercise of Options/ performance rights	Additions	Balance at the end of the year
Ordinary Shares				
Mr Peter Wall	8,600,000		37,500	8,637,500
Mr Winton Willesee	1,500,000		100,000	1,600,000
Mr Doug Halley	230,000	-	62,500	292,500
	10,330,000	0	200,000	10,530,000

Option holding

The number of Options over ordinary Shares in the company held during the financial year by each director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year Vested	Balance at the start of the year Unvested	Balance at the start of the year Total	Granted	Exercised	Other changes during the period	Balance at the end of the year Total	Vested and exercisable	Unvested	Vested during the year	Forfeited during the year
Options over ordinary Shares											
Mr Michael Curtis		1,000,000	1,000,000	0	0	0	1,000,000	500,000	500,000	50%	0%
Mr Doug Halley	250,000	750,000	1,000,000	0	0	0	1,000,000	750,000	250,000	50%	0%
	250,000	1,750,000	2,000,000	0	0	0	2,000,000	1,250,000	750,000		

Performance rights holding

The number of performance rights over ordinary Shares in the company held during the financial year by each director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

Performance rights over ordinary Shares	Balance at the start of the year Vested	Balance at the start of the year Unvested	Balance at the start of the year	Granted	Exercised	Other changes	Balance at the end of the year	Vested and exercisable	Unvested	Vested during the year	Forfeited during the year
Mr Peter Wall	0	0	0	2,500,000	0	0	2,500,000	0	2,500,000	0%	0%
Mr Winton Willesee	0	0	0	1,500,000	0	0	1,500,000	0	1,500,000	0%	0%
Mr Doug Halley	0	0	0	1,500,000	0	0	1,500,000	0	1,500,000	0%	0%
Mr Jim Hallam	0	2,500,000	2,500,000	1,250,000	0	(1,250,000)	2,500,000	0	2,500,000	0%	(50)%
	0	2,500,000	2,500,000	6,750,000	0	(1,250,000)	8,000,000	0	8,000,000		

The forfeiture of Mr Jim Hallam's performance rights reflect the replacement of performance rights as disclosed on page 23.

Other transactions with Key Management Personnel and their related parties:

During the reporting period, the consolidated entity engaged the services on the following related-parties on normal commercial terms and conditions no more favourable than those available to other parties:

Steinepreis Paganin, an entity associated with Mr Peter Wall, received payments totalling $61,216 (30 June 2019: $301,496) in relation to legal services provided to the consolidated entity. As at 30 June 2020, $12,474 (30 June 2019: $30,793) was payable to Steinepreis Paganin by the consolidated entity.

Embark Ventures, Inc. an entity related to Mr Michael Curtis, received payments totalling $439,121 (30 June 2019: $28,394) in relation to investment management fees provided to the consolidated entity. As at 30 June 2020, $103,607 (30 June 2019: $28,394) was payable to Embark Ventures Inc. by the consolidated entity.

The consolidated entity also entered into an agreement to grant 12,000,000 performance rights to EbV, which were approved by shareholders on 19 July 2019. The fair value of the performance rights have been determined using the share price at grant date of $0.29. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share-based payment expense was recognised for the Financial Period (The share-based payments expense recognised in the financial year ended 30 June 2019 was $59,703 and was subsequently reversed during the financial year ended 30 June 2020).

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	30-Jun-20 $	30-Jun-19 $
Current Payables:		
Amount owing to Steinepreis Paganin, an entity associated with Mr Peter Wall	12,474	30,793
Amount owing to Azalea Consulting Pty Ltd, an entity related to Mr Winton Willesee	0	4,500
Investment management fees payable to Embark Ventures, an entity related to Mr Michael Curtis	103,607	0

At 30 June 2020, the consolidated entity also held investments in the following investees, which have directors in common with the consolidated entity:

a) Harvest One Cannabis Inc. – Peter Wall is a non-executive director of Harvest One Cannabis Inc.
b) Weed Me Inc. – Peter Wall is a non-executive director of Weed Me Inc.
c) Embark Ventures Inc. – Michael Curtis is a director of Embark Ventures Inc.
d) Embark Health Inc. – Michael Curtis was a director of Embark Health Inc until 31 October 2019
e) The consolidated entity owns 4.8% of Embark Ventures Inc. which was acquired for $75

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary Shares of MMJ Group Holdings Limited under option at the date of this report are as follows:

Issue date	Class	Expiry date	Exercise price	Number under option
24-Oct-18	L	24-Oct-21	$0.41	1,000,000
3-Apr-19	M	3-Apr-22	$0.33	1,000,000
				2,000,000

No person entitled to exercise the Options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares under performance rights

Grant date	Class	Expiry date	Exercise price	Number under rights
15-Jun-18	H, I and J	26-Feb-23	0	1,250,000
19-Jul-19	K	17-Jan-21	0	4,000,000
19-Jul-19	L	6-Aug-22	0	4,000,000
19-Jul-19	M	6-Aug-22	0	4,000,000
28-Nov-19	N	18-Dec-20	0	2,250,000
28-Nov-19	O	18-Dec-22	0	2,250,000
28-Nov-19	P	18-Dec-22	0	2,250,000
				20,000,000

The principal terms of the unlisted Class K, L and M Performance Rights (that will lapse if achievement of relevant milestones are not achieved by corresponding milestone dates) are found in Schedule 3 of the notice of meeting held on 19 July 2019.

The Performance Right shall have a period of 3 years to achieve the relevant NAVS/SP Average performance vesting hurdle from the date of issue and will lapse immediately if the hurdle is not achieved at the end of the 3-year term. The exception will be the first Tranche which will lapse immediately if the applicable hurdle is not achieved within 18 months after the date of issue. Where Embark is no longer engaged by the Company as a consultant for whatever reason, any unvested Performance Rights held will automatically lapse.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of performance rights

There were no ordinary Shares of MMJ Group Holdings Limited issued during the year ended 30 June 2020 and up to the date of this report arising from exercise of performance rights granted.

Indemnity and insurance of officers

The consolidated entity has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the consolidated entity paid a premium in respect of a contract to insure the directors and executives of the consolidated entity against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The consolidated entity has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the consolidated entity or any related entity against a liability incurred by the auditor.

During the financial year, the consolidated entity has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the consolidated entity

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the consolidated entity, or to intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or part of those proceedings.

Non-audit services

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 13 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor (Please refer to note 13 Remuneration of auditors for details).
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants:

	2020 **$**	**2019** **$**
Tax related services	30,615	112,916
Investigating Accountant's Report	0	13,464
	30,615	126,380

Officers of the company who are former partners of BDO Audit (WA) Pty Ltd

There are no officers of the company who are former partners of BDO Audit (WA) Pty Ltd.

Rounding of amounts

The consolidated entity 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.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Peter Wall
Non-Executive Chairman

16 September 2020

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF MMJ GROUP HOLDINGS LIMITED

As lead auditor of MMJ Group Holdings Limited for the year ended 30 June 2020, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd

Perth, 16 September 2020

Corporate Governance Statement

The Board recognises the importance of establishing a comprehensive system of control and accountability as the basis for the administration of corporate governance.

To the extent relevant and practical, the Company has adopted a corporate governance framework that is consistent with *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council ("Recommendations").

The Board has adopted the suite of corporate governance policies and procedures which are contained with the Company's Corporate Governance Plan and the Company's Corporate Governance Statement, a copy of which is available on the Company's website at https://www.mmjgh.com.au/corporate-governance/.

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

The Company is pleased to report that its practices are largely consistent with the Recommendations of the ASX Corporate Governance Council and sets out its compliance and departures from the Recommendations for the year ended 30 June 2020 in the Corporate Governance Statement is accurate and up to date as at 28 August 2020 and was approved by the Board of the Company.

In light of the Company's size and nature, the Board considers that the current corporate governance regime is a fit-for-purpose, efficient, practical and cost-effective method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the implementation of additional corporate governance policies and structures will be reviewed.

MMJ Group Holdings Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Note	30-Jun-20 $000	30-Jun-19 $000
Revenue			
Interest income		843	129
Net foreign exchange gain/(loss)		287	454
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	7	(4,684)	21,080
Total revenue		(3,554)	21,663
Other income			
Changes in the fair value of equity investments at fair value through profit and loss	7	(37,704)	11,980
Other income		(37,704)	11,980
Income from operating activities		(41,258)	33,642
Expenses			
Administration expenses		(740)	(999)
Asset management expenses		(439)	0
ASX Compliance relisting expense		0	(505)
Compliance and regulatory expenses		(65)	(82)
Consultancy and legal expenses		(8)	(264)
Depreciation and amortisation expense		(10)	(7)
Employee and director related expenses		(539)	(941)
Operating expenses		(1,801)	(2,798)
Equity based payments reversal/(expense)	22	156	70
Total expenses		(1,645)	(2,728)
Profit/(Loss) before income tax		(42,902)	30,914
Income tax (expense)/benefit	5	2,821	(9,294)
Profit/(Loss) after income tax for the year		(40,082)	21,620
Other comprehensive income			
		0	0
Other comprehensive income for the year, net of tax		0	0
Total comprehensive profit/(loss) for the year		(40,082)	21,620
Profit/(Loss) for the year is attributable to:			
Owners of MMJ Group Holdings Limited		(40,082)	21,620
		(40,082)	21,620
Total comprehensive income/(loss) for the year is attributable to:			
Owners of MMJ Group Holdings Limited		(40,082)	21,620
		(40,082)	21,620
		Cents	**Cents**
Basic earnings/(loss) per share	21	(17.70)	9.40
Diluted earnings/(loss) per share	21	(17.70)	9.40

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

MMJ Group Holdings Limited

Consolidated statement of financial position

As at 30 June 2020

	Note	30-Jun-20 $'000	30-Jun-19 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	1,042	26,392
Trade and other receivables		54	63
Financial assets at fair value through profit or loss	7	41,244	69,093
Total Current Assets		**42,341**	**95,548**
NON-CURRENT ASSETS			
Property, plant and equipment		35	45
Financial assets at fair value through profit or loss	7	3,241	-
Deferred tax assets	5	-	66
Total Non-Current Assets		**3,277**	**112**
TOTAL ASSETS		**45,618**	**95,660**
CURRENT LIABILITIES			
Trade and other payables		163	195
Current tax payable		-	6,240
Total Current Liabilities		**163**	**6,435**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5	1,207	3,587
Total Non-Current Liabilities		**1,207**	**3,587**
TOTAL LIABILITIES		**1,370**	**10,022**
NET ASSETS		**44,248**	**85,638**
EQUITY			
Contributed equity	8	51,786	52,936
Reserves	9	901	1,057
Retained Earnings/(Accumulated Losses)		(8,439)	31,645
TOTAL EQUITY		**44,248**	**85,638**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

MMJ Group Holdings Limited

Consolidated statement of changes in equity

For the year ended 30 June 2020

Consolidated	Contributed Equity $'000	Other Reserves $'000	(Accumulated Loss)/ Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2019	**52,936**	**1,057**	**31,645**	**85,638**
Loss after income tax expense for Financial Period	0	0	(40,082)	(40,082)
Other comprehensive income for the Financial Period, net of tax	0	0	0	0
Total comprehensive income for the Financial Period	0	0	(40,082)	(40,082)
Transactions with owners in their capacity as owners:				
Cancellation of shares acquired through on market buyback	(1,502)	0	0	(1,502)
Issue of shares	352	0		352
Share-based payment	0	(156)	0	(156)
	(1,150)	(156)	0	(1,306)
Balance at 30 June 2020	**51,786**	**901**	**(8,439)**	**44,248**

Consolidated	Contributed Equity $'000	Other Reserves $'000	Accumulated Profit $'000	Total Equity $'000
Balance at 1 July 2018	**49,064**	**9,353**	**5,330**	**63,747**
Loss after income tax expense for Financial Period	0	0	21,620	21,620
Other comprehensive income for the Financial Period, net of ta	0	0	0	0
Total comprehensive income for the Financial Period	0	0	21,620	21,620
Transactions with owners in their capacity as owners:				
Exercise of options	240	(1,709)	1,709	240
Lapse of options	0	(2,885)	2,986	101
Conversion of performance rights	3,632	(3,632)	0	0
Share-based payment	0	(70)	0	(70)
Balance at 30 June 2019	**52,936**	**1,057**	**31,645**	**85,638**

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

MMJ Group Holdings Limited

Consolidated statement of cash flows

For the year ended 30 June 2020

	Note	30-Jun-20 $'000	30-Jun-19 $'000
Cash flows from operating activities			
Payments to employees & suppliers		(1,829)	(2,744)
		(1,829)	(2,744)
Interest received		491	129
Payments for financial assets at FVPL		(20,688)	(10,899)
Proceeds from disposal of financial assets at FVPL		3,476	37,792
Company tax payment		(5,893)	0
Net cash (used in)/from operating activities	20	**(24,444)**	**24,278**
Cash flows from investing activities			
Other		0	0
Net cash used in investing activities		**0**	**0**
Cash flows from financing activities			
Share issue		351	0
MMJ share buyback		(1,502)	0
Net cash from financing activities		**(1,151)**	**0**
Net increase/(decrease) in cash & cash equivalents		**(25,594)**	**24,278**
Cash at the beginning of the year		26,392	1,347
Effects of exchange rate changes on cash and cash equivalents		244	767
Cash & cash equivalents at end of year		**1,042**	**26,392**

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

1. General information

The financial statements cover MMJ Group Holdings Limited as a consolidated entity consisting of MMJ Group Holdings Limited and the entity it controlled at the end of, or during, the year ended 30 June 2020 ("the Financial Period"). The financial statements are presented in Australian dollars, which is MMJ Group Holdings Limited's functional and presentation currency.

MMJ Group Holdings Limited is a listed public company limited by Shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

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

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a Resolution of Directors, on 16 September 2020. The directors have the power to amend and reissue the financial statements.

2. Significant accounting policies

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

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 17.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MMJ Group Holdings Limited (the "Company" or "parent entity") as at 30 June 2020 and the results of all subsidiaries for the year then ended. MMJ Group Holdings Limited and its subsidiaries together are referred to in these financial statements as the "consolidated entity".

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without acquiring or losing control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is MMJ Group Holdings Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

The entity is exempt from consolidating underlying investees it controls in accordance with AASB 10 Consolidated Financial Statements and is exempt from accounting for associates in accordance with AASB 128 Investments in Associates and Joint Ventures.

Investments

The Company is classified as an Investment Entity (in accordance with AASB 10 Consolidated Financial Statements) being a business whose purpose is to invest funds solely for returns via capital appreciation and/or investment returns. As the Company has been classified as an Investment Entity and recognises its investments as 'held for trading', the portfolio investments have been accounted for at fair value through profit or loss and shown as financial assets in the statement of financial position.

Investments held at fair value through profit or loss are initially recognised at fair value. Transaction costs related to acquisitions are expensed to profit or loss immediately. Subsequent to initial recognition, all financial instruments held at fair value are accounted for at fair value, with changes to such values recognised in profit or loss.

Investments are recognised on a settlement date basis.

The entity is exempt from consolidating underlying investees it controls in accordance with AASB 10 Consolidated Financial Statements and is exempt from accounting for associates in accordance with AASB 128 Investments in Associates and Joint Ventures.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity’s normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Derivative financial instruments

Hedges of a net investment

Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Share-based payment transactions of the Company

Equity -settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 22.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Goods and Services Tax ("GST") and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Revenue recognition

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

Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

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.

New or amended Accounting Standards and Interpretations adopted

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:

- Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation addresses:

a) whether an entity considers uncertain tax treatments separately;
b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
d) how an entity considers changes in facts and circumstances.

The adoption of this Interpretation has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of accumulated losses.

- AASB 16 Leases.

The impact of the adoption of this standard and the new accounting policies are disclosed below. The impact of this standard, 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.

Changes in accounting policies

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

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 has adopted this standard from 1 July 2019. As at reporting date, the Group has non-cancellable operating lease commitments of $0.1 million (refer note 15). Therefore the adoption of this accounting standard has not had a material impact on the Group's financial performance and position.

New Accounting Standards and Interpretations not yet mandatory or early adopted

There are no issued but not yet effective Accounting Standards and Interpretations that are expected to significantly impact the Group in future financial years.

3. Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

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

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include the use of observable inputs that require significant adjustments based on unobservable input. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgements and estimations, considering factors specific to the asset or liability.

Estimation of useful lives of assets

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

Income tax

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

4. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of MMJ Group Holdings Limited. The Group has determined that it has one operating segment, being the investing operations, and results are analysed as a whole by the CODM, being the Board of Directors. Consequently, revenue, profit, net assets and total assets for the operating segment are reflected in this financial report.

Accounting policy for operating segments

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

5. Income tax

	30-Jun-20	30-Jun-19
a) Income tax Expense/(Benefit)		
Major components of income tax expense are:		
Current tax	(347)	6,240
Deferred tax	(2,474)	3,054
Income tax expense/(benefit) reported in the income statement	**(2,821)**	**9,294**
b) Numerical reconciliation		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:	(42,902)	30,914
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2019: 27.5%)	(11,798)	9,274
- Difference in tax rates	9,493	(740)
- non-assessable income	(13)	-
- Non-deductible share based payments	61	70
- Revaluations	56	-
- Accounting gain/(loss) on investment	-	1,018
- Net trading stock adjutsment	-	-
- Change in company tax rate	(293)	(328)
- Prior period adjustment	(347)	-
- Other permanent adjustments	20	-
	(2,821)	9,294
c) Deferred tax asset balances		
Revenue & capital losses - Australia	-	-
Temporary differences - Australia	-	66
	-	66
e) Deferred tax liabilities balances		
Revaluation on investments	987	3,076
Other timing differences	220	512
	1,207	3,587

The potential future income tax benefit will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) the Company continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Company in realising the benefit.

The franking account balance at the end of the Financial Period was $5,893,048 (2019: Nil).

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each operating jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

6. Current assets - cash and cash equivalents

	Consolidated	
	30-Jun-20 $'000	**30-Jun-19 $'000**
Cash at bank	1,042	26,392
	1,042	26,392

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Financial assets held at Fair Value through Profit or Loss

Financial assets held at Fair Value through Profit or Loss

	30-Jun-20	30-Jun-19
	\$000	**\$000**
Financial assets at fair value through profit or loss		
Equity financial assets - current		
Investment in Bien Ventures Ltd	773	1,077
Investment in Embark Health Inc	13,151	3,685
Investment in Weed Me Inc	4,933	6,532
Investment in BevCanna Enterprises Inc	0	1,361
Investment in Biologics Research Institute Australia Pty Ltd ("Cannabis Access")	2,109	1,000
Investment in Fire & Flower Inc.	0	1,250
Investment in Harvest One Cannabis Inc.	6,590	44,146
Investment in Martha Jane Medical Limited	450	600
Investment in MediPharm Labs Inc	0	4,077
Investment in Vitagenne Inc.	801	1,426
Investment in Hemple	100	1,000
Investment in Volero Inc.	1,309	2,721
Investment in Bespoke	3,491	0
Investment in J Supply	191	0
Investment in Sequoya	380	0
Investment in Embark Ventures Inc.	0	0
	34,277	68,875
Convertible and loan financial assets - current		
Investment in Weed Me Inc	1,090	0
Investment in Harvest One Cannabis Inc.	2,279	0
Investment in Hemple	200	0
Investment in Sequoya	0	218
Investment in WeedMD	3,400	0
	6,968	218
Financial assets at fair value through profit or loss - current	41,244	69,093
Convertible financial assets - non-current		
Investment in Sequoya	3,241	0
	3,241	0
Financial assets at fair value through profit or loss - total	44,486	69,093

Reconciliation

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

	30-Jun-20	30-Jun-19
Reconciliation	**\$000**	**\$000**
Reconciliation of the fair values at the beginning and end of the current and corresponding year end are set out below:		
Opening fair value	**69,093**	**63,091**
Additions - financial assets at fair value through profit and loss	20,688	14,971
Changes in the fair value of equity investments at fair value through profit and loss	(37,704)	11,980
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	(4,684)	21,080
Net foreign exchange gain/(loss)	0	(213)
Accrued interest	367	0
Disposal of financial assets at fair value through profit and loss	(3,476)	(41,815)
Other movements	201	
Closing fair value	44,486	69,093

The following table presents the changes in level 3 instruments for the year:

		Unlisted equity securities $000	Convertible debenture receivable $000	Total $000
Opening balance	**1-Jul-19**	**19,402**	**217**	**19,619**
Transfer to level 1		(1,361)	0	**(1,361)**
Disposals		0	(214)	**(214)**
Acquisitions		6,062	6,742	**12,804**
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss		0	0	**0**
Accrued interest		0	367	**367**
Changes in the fair value of equity investments at fair value through profit and loss		4,568	(303)	**4,265**
Closing balance	**30-Jun-20**	**28,672**	**6,810**	**35,482**

Refer for further information on fair value measurement.

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 year ended 30 June 2020. There were also no material changes made to any of the valuation techniques applied as of 30 June 2019.

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.

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 financial year.

Level 3 financial assets at fair value through profit or loss unobservable inputs and sensitivity are as follows:

Description	Valuation Methodology	Input	Fair Value of Instruments ($'000)	Sensitivity	Sensitivity Impact ($'000)
Unlisted shares/stock	Issue price of shares from latest significant capital raising or at arm's length transaction of instruments held and/or EV/Rev multiple: For the year ended 30	Recent share price	13,400	+10% / -10%	+1,339/ -1,339

Description	Valuation Methodology	Input	Fair Value of Instruments ($'000)	Sensitivity	Sensitivity Impact ($'000)
	June 2020, when utilising the Enterprise Value to Revenue Multiple, annualised current year revenue has been used with a multiple of 5x which has been determined from a peer list of companies and/or assessment against relevant market indices	Revenue	5,998	+10% / -10%	+591/-591
		Market indices	2,776	+5% / -5%	+122/-122
Unlisted warrants/options	Unlisted warrants/options which are not actively traded are valued using a Black-Scholes valuation methodology.	Share Price	6,508	+5% / -5%	+546/-533
		Volatility		+5% / -5%	+300/-300
Unlisted convertible debentures and loan instruments	Convertible debentures and loan instruments are valued using an assessment of the capacity of the investee to repay principal and interest	Market interest rate	6,800	+2% / -2%	+136/-136

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 other than underlying share price of unlisted equity investments, such as expected volatility and risk-free rates. Fair values for unquoted equity investments are estimated, using the latest share price from capital raising or arm’s length transaction, or in the absence of a recent transaction, an enterprise value to revenue multiple or benchmarked to market movements indicated relevant market indices.

The COVID-19 pandemic created significant social and economic upheaval in FY2020, causing economic uncertainty across all industries globally, and resulting in extreme fluctuations in global share markets. The social, economic and financial impacts of COVID-19 are expected to continue in FY2021, and we expect further changes in government policy and regulations in order to address these impacts. All of these changes will impact the intention and/or ability of companies to generate returns and pay dividends, including those companies in which MMJ invests. There has been no measurable impact of the COVID-19 on investee valuations.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

8. Equity – contributed equity

Movements in ordinary share capital		30-Jun-20 Shares	30-Jun-19 Shares	30-Jun-20 $'000	30-Jun-19 $'000
Ordinary Shares - fully paid		229,953,985	230,148,985	51,786	52,936

Details	**Date**	**Shares**		**$'000**
Balance	**1-Jul-18**	221,398,985		49,064
Conversion of performance rights	**5-Jul-18**	4,500,000	0.47	2,115
Conversion of performance rights	**5-Jul-18**	1,500,000	0.47	705
Conversion of performance rights	**5-Jul-18**	250,000	0.43	107
Conversion of performance rights	**5-Jul-18**	1,500,000	0.20	705
Exercise of Options	**5-Jul-18**	1,000,000	0.24	240
Balance	30-Jun-19	230,148,985		52,936
Buy-back shares, including transaction costs		(5,750,000)		(1,502)
Shares issued to digital marketing consultant	**2-Apr-20**	687,500	0.08	55
Share purchase plan net of transaction costs	**2-Apr-20**	4,867,500	0.08	296
	30-Jun-20	229,953,985		51,786

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 (including virtual meetings through an online meeting platform) 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.

Share Purchase Plan

On 14 February 2020, MMJ announced a Share Purchase Plan (“SPP”) with the Company receiving eligible subscriptions of $389,400 from 158 shareholders at the issue price of $0.08 per share.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new Shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Accounting policy for contributed equity

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new Shares or Options are shown in equity as a deduction, net of tax, from the proceeds.

9. Equity – reserves

	30-Jun-20 $'000	30-Jun-19 $'000
Options reserve	825	963
Performance rights reserve	76	94
	901	**1,057**

Options and performance rights reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	**Options reserve** $'000	**Performance rights reserve** $'000	**Total** $'000
Balance at 30 June 2018	5,342	4,011	9,353
Exercise of options	(1,709)		(1,709)
Lapse of options	(2,825)	(60)	(2,885)
Conversion of performance rights	0	(3,632)	(3,632)
Shared based payments	155	(225)	(70)
Balance at 30 June 2019	**963**	**94**	**1,057**
Reversal of option expense	(232)	0	(232)
Reversal of performance rights expense	0	(60)	(60)
Shared based payments	94	41	135
Balance at 30 June 2020	825	76	901

10. Equity - dividends

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

11. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ("finance") under policies approved by the Board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a quarterly basis.

	30-Jun-20 $'000	30-Jun-19 $'000
Financial Assets		
Cash and cash equivalents	1,042	26,392
Trade and other receivables	54	63
Financial assets at fair value through profit or loss	41,244	69,093
Total financial assets	42,340	95,549
Financial Liabilities		
Trade and other payables	163	390
Total financial liabilities	163	390

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency (and is exposed to foreign currency risk through foreign exchange rate fluctuations).

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity maintains a bank account and financial assets at fair value through profit or loss denominated in Canadian dollars (CAD), thus the consolidated entity is exposed to diminution of cash balances and investments through currency exchange risk which is mitigated by the expectation that majority of new investments will be denominated in CAD.

The consolidated entity does not hedge its CAD exposure. The following table shows the foreign currency risk on the financial assets and liabilities of the consolidated entity's operations denominated in currencies other than the functional currency of the operations. The foreign currency risk in the books of the parent entity is considered immaterial and is therefore not shown.

Sensitivity analysis

The following table illustrates sensitivities to the consolidated entity's exposures to changes in exchange rates in relation to its cash held in foreign currency and investments held in foreign currency. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

2020	% change	AUD strengthened Effect on profit before tax $'000	Effect on equity $'000	% change	AUD weakened Effect on profit before tax $'000	Effect on equity $'000
AUD / USD	(10%)	(80)	(58)	10%	80	58
AUD / CAD	(10%)	(3,422)	(2,556)	10%	3,422	2,556

2019	% change	AUD strengthened Effect on profit before tax $'000	Effect on equity $'000	% change	AUD weakened Effect on profit before tax $'000	Effect on equity $'000
AUD / USD	(10%)	(143)	(100)	10%	143	100
AUD / CAD	(10%)	(6,485)	(5,742)	10%	6,485	5,742

Price risk

For investments held by the consolidated entity at the end of the reporting period, a sensitivity analysis was performed relating to its exposure to other price risk. This analysis demonstrates the effect on current year net assets after tax as a result of a reasonably possible change in the risk variable. The sensitivity assumes all other variables to remain constant.

A 10% (30 June 2019: 5%) movement in the fair value of each of these investments within the investment portfolio would have the following impact:

	Fair value change	Share price increase		Fair value change	Share price decrease	
2020	%	Effect on profit before tax $'000	Effect on equity $'000	%	Effect on profit before tax $'000	Effect on equity $'000
Fair value of investments	10%	3,768	2,807	(10%)	(3,768)	(2,807)
2019	%	Effect on profit before tax $'000	Effect on equity $'000	%	Effect on profit before tax $'000	Effect on equity $'000
Fair value of investments	5%	1,912	1,386	(5%)	(1,912)	(1,386)

Interest rate risk

As the consolidated entity's major cash and financial loan assets are cash deposits which are held in fixed or variable interest rate deposits and fixed interest rate convertible notes and loans. The consolidated entity's income and operating cash flows are materially exposed to changes in market interest rates. The consolidated entity manages this risk by only investing cash in minimum Standard & Poor's credit rating of AA- (or equivalent) rated institutions and maintaining an appropriate mix between different terms.

At reporting date, the Group had the following exposure to variable interest rate risk:

	2020 $'000	2019 $'000
Consolidated		
Financial assets		
Cash and cash equivalents		
Australia	230	539
Canada	812	25,703
	1,042	
Convertible notes:		
Canada	7,511	
Net exposure to cash flow interest rate risk	9,595	26,242

The following table illustrates sensitivities to the consolidated entity's exposures to changes in interest rates. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

2020	Interest rate %	Interest rate increase: Effect on profit before tax $'000	Interest rate increase: Effect on equity $'000	Interest rate decrease %	Interest rate decrease: Effect on profit before tax $'000	Interest rate decrease: Effect on equity $'000
Interest rates	1%	96	70	(1%)	(96)	(70)

2019	Interest rate %	Interest rate increase: Effect on profit before tax $'000	Interest rate increase: Effect on equity $'000	Interest rate decrease %	Interest rate decrease: Effect on profit before tax $'000	Interest rate decrease: Effect on equity $'000
Interest rates	1%	262	184	(1%)	(262)	(184)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Credit risk arises from cash and cash equivalents, trade and other receivables, and investments in debt securities.

As of 30 June 2020, the consolidated entity does not have any material trade and other receivables. While cash and cash equivalents are also subject impairment requirements of AASB 9, the unidentified impairment loss was immaterial as only independently rated parties with a minimum Standard & Poor's credit rating of AA- (or equivalent) are accepted. With respect to credit risk arising from the financial assets of the consolidated entity, the consolidated entity's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the far value of these investments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date. As at 30 June 2020 the Company is exposed to credit risk on its unlisted loan receivables and debentures which total $6,810,000. Debt investments at fair value through profit or loss include listed and unlisted debt securities. The loss allowance for debt investments at fair value through profit or loss is recognised in the profit or loss and is deemed immaterial for the year ended 30 June 2020. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates and credit risk of instruments are considered by the Company on a regular basis. Of the total loan receivables and debentures $4,123,000 is secured against the assets of the respective investment.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Prudent liquidity risk management is managed through:

- maintaining sufficient cash;
- prudent oversight of future funding requirements;
- maintaining ongoing contact to facilitators of further funding; and
- only investing surplus cash with major financial institutions.

It is the consolidated entity's policy to review the Group's liquidity position including cash flow forecasts, actual cash flows and variation reports regularly to determine the forecast liquidity position and maintain appropriate liquidity levels.

The consolidated entity funds its activities through capital raising in order to limit its liquidity risk. The consolidated entity does not have any unused credit facilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2020	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	0	163	0	0	0	163
Total non-derivatives		163	0	0	0	163

2019	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	0	195	0	0	0	195
Total non-derivatives		195	0	0	0	195

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

12. Key Management Personnel disclosures

Directors

The following persons were directors of MMJ Group Holdings Limited during the financial year:

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

Other Key Management Personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr Jim Hallam	CFO of the Group

Compensation

The aggregate compensation made to directors and other members of Key Management Personnel of the consolidated entity is set out below:

	Consolidated	
	2020	**2019**
	$	**$**
Short-term employee benefits	442,867	638,654
Long-term employee benefits	29,397	63,710
Termination benefits	0	0
Share-based payments	135,746	(26,426)
	608,010	675,938

13. Remuneration of Auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the company and its network firms:

	Consolidated	
	2020 $	2019 $
Audit services - BDO Audit (WA) Pty Ltd		
Audit or review of the financial statements	62,197	124,625
Other Services - BDO Corporate Finance WA Pty Ltd		
Investigating Accountant's Report	0	13,464
Other services - BDO Corporate Tax Pty Ltd		
taxation services	30,615	112,916
	92,812	251,005

14. Contingent assets and liabilities

The consolidated entity had no contingent assets and liabilities as at 30 June 2020 (2019: Nil).

15. Commitments

	Consolidated	
	2020 $'000	2019 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	79	104
One to five years	-	81
More than five years	-	-
	79	185

The Group has no other commitments for expenditure at 30 June 2020.

16. Related party transactions

(a) Key Management Personnel

The following persons were directors of MMJ Group Holdings Limited during the period ended 30 June 2020:

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

Interests in subsidiaries are set out in note 18.

Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 12 and the remuneration report included in the directors' report.

(b) Transactions with related parties

The Board’s policy in determining the nature and amount of compensation and discussion of the relationship between the Board’s policy and the entity’s performance are provided in the remuneration report section of the directors’ report.

	2020 $	2019 $
Director fees paid to Azalea Consulting Pty Ltd, an entity related to Mr Winton Willesee	54,000	54,000
Director fees paid to Midhurst Associates Pty Ltd, an entity related to Mr Doug Halley	64,000	66,521
Directors fees paid to Bella Holdings, an entity related to Mr Michael Curtis	0	21,484
Director fees paid to Pheakes Pty Ltd, an entity related to Mr Peter Wall	72,000	72,000
Investment management fees paid to Embark Ventures, an entity related to Mr Michael Curtis	439,121	28,394

(c) Other transactions with Key Management Personnel and their related parties

During the reporting period, the consolidated entity engaged the services on the following related-parties on normal commercial terms and conditions no more favourable than those available to other parties:

Steinepreis Paganin, an entity associated with Mr Peter Wall, received payments totalling $61,216 (30 June 2019: $301,496) in relation to legal services provided to the consolidated entity. As at 30 June 2020, $12,474 (30 June 2019: $30,793) was payable to Steinepreis Paganin by the consolidated entity.

Embark Ventures, Inc. an entity related to Mr Michael Curtis, received payments totalling $439,121 (30 June 2019: $28,394) in relation to investment management fees provided to the consolidated entity. As at 30 June 2020, $103,607 (30 June 2019: $28,394) was payable to Embark Ventures Inc. by the consolidated entity.

The consolidated entity also entered into an agreement to grant 12,000,000 performance rights to Embark Ventures Inc., which were approved by shareholders on 19 July 2019. The fair value of the performance rights have been determined using the share price at grant date of $0.29. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share-based payment expense was recognised for the Financial Year. (The share-based payments expense recognised in the financial year ended 30 June 2019 was $59,703 and was subsequently reversed during the financial year ended 30 June 2020).

At 30 June 2020, the consolidated entity also held investments in the following investees, which have directors in common with the consolidated entity:

i. Harvest One Cannabis Inc. – Peter Wall is a director of Harvest One Cannabis Inc.
ii. Weed Me Inc. – Peter Wall is a director of Weed Me Inc.
iii. Embark Ventures Inc. – Michael Curtis is a director of Embark Ventures Inc.
iv. Embark Health Inc. – Michael Curtis was a director of Embark Health Inc until 31 October 2019
v. The consolidated entity owns 4.8% of Embark Ventures Inc. which was acquired for $75.

There were no loans made to directors and other Key Management Personnel of the consolidated entity during the year.

(d) The following balances are outstanding at the reporting date in relation to transactions with related parties:

	30-Jun-20 $	30-Jun-19 $
Current Payables:		
Amount owing to Steinepreis Paganin, an entity associated with Mr Peter Wall	12,474	30,793
Amount owing to Azalea Consulting Pty Ltd, an entity related to Mr Winton Willesee	0	4,500
Investment management fees payable to Embark Ventures, an entity related to Mr Michael Curtis	103,607	0

17. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020 $'000	2019 $'000
Profit/(loss) after income tax	(40,017)	21,620
Total comprehensive profit/(loss)	(40,017)	21,620

Statement of financial position

	Parent	
	2020 $'000	2019 $'000
Total current assets	36,927	95,549
Total assets	45,589	95,660
Total current liabilities	163	6,435
Total liabilities	1,341	10,022
Equity		
Contributed equity	51,786	52,936
Options reserve	825	963
Performance rights reserve	76	94
Retained Earnings	(8,439)	31,645
Total equity	44,248	85,638

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

18. 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	2020 %	2019 %
PhytoTech Medical (UK) Ltd	United Kingdom	100	100

19. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while the consolidated entity has not be able to identify a material impact on its operations up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 27 August 2020 Harvest One Cannabis Inc. repaid a loan of CAD2m to the consolidated entity.

No other matter or circumstance has arisen since 30 June 2020 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.

20. Reconciliation of profit after income tax to net cash used in operating activities

	Consolidated	
	2020 $'000	2019 $'000
Profit/(loss) after income tax expense for the year	(40,082)	21,620
Adjustments for:		
Depreciation and amortisation	10	7
Share-based payments	(156)	(70)
Interest income receivable	(367)	
Foreign exchange (gain)/loss on changes in the fair value of equity investments at fair value through profit and loss	(297)	(3,443)
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	4,684	
Changes in the fair value of equity investments at fair value through profit and loss	37,704	(29,616)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivable	68	47
Increase in other assets	(97)	365
Payments for financial assets at fair value through profit or loss	(20,688)	(10,899)
Proceeds from disposal of financial assets at fair value through profit or loss	3,476	37,792
Increase/(decrease) in trade and other payables	(6,272)	5,787
Increase in other liabilities	(2,427)	2,688
Net cash used in operating activities	(24,444)	24,278

There were no non-cash investing or financing activities.

21. Earnings per share

	30-Jun-2020 $'000	30-Jun-2019 $'000
Profit/(loss) after income tax	(40,082)	21,620
Profit/(loss) after income tax attributable to the owners of MMJ Group Holdings Limited	(40,082)	21,620
	Number	**Number**
Weighted average number of ordinary Shares used in calculating basic earnings per share	226,420,447	230,052,831
Adjustments for calculation of diluted earnings per share:		
Options over ordinary Shares	0	0
Performance rights over ordinary Shares	0	0
Weighted average number of ordinary Shares used in calculating diluted earnings per share	226,420,447	230,052,831
	Cents	**Cents**
Basic earnings per share	(17.70)	9.40
Diluted earnings per share	(17.70)	9.40

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of MMJ Group Holdings Limited, excluding any costs of servicing equity other than ordinary Shares, by the weighted average number of ordinary Shares outstanding during the financial year, adjusted for bonus elements in ordinary Shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary Shares and the weighted average number of Shares assumed to have been issued for no consideration in relation to dilutive potential ordinary Shares.

22. Share-based payments

The Group provided the following in the form of share-based payment transactions:

	30-Jun-20 $	30-Jun-19 $
New Options issued to directors	0	75,425
Vesting of MMJ Options issued in prior periods	94,325	79,845
Cancellation of Performance Rights	0	(757,667)
Forfeiture of options	(232,500)	0
Reversal of EbV performance rights	(59,702)	0
Vesting of MMJ Performance Rights	41,421	472,816
New Performance Rights issued by MMJ	0	59,703
Total share-based payments/(reversal)	(156,456)	(69,878)

a) Performance Rights

Set out below are summaries of performance rights granted under the plan:

2020 Grant date	Class	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
15-Jun-18	H	26/02/2023	833,333			(416,666)	416,667
15-Jun-18	I	26/02/2023	833,333			(416,667)	416,666
15-Jun-18	J	26/02/2023	833,334			(416,667)	416,667
19-Jul-19	K	17-Jan-21	0	4,000,000			4,000,000
19-Jul-19	L	30-Dec-02	0	4,000,000			4,000,000
19-Jul-19	M	30-Dec-02	0	4,000,000			4,000,000
28-Nov-19	N	17-Jun-21	0	2,250,000			2,250,000
28-Nov-19	O	17-Dec-22	0	2,250,000			2,250,000
28-Nov-19	P	17-Dec-22	0	2,250,000			2,250,000
			2,500,000	18,750,000	0	(1,250,000)	20,000,000

2019 Grant date	Class	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
28/08/2014	D	18/11/2018	6,500,000			(6,500,000)	0
29/06/2015	D	18/11/2018	2,500,000			(2,500,000)	0
30/11/2017	E	12/12/2022	2,500,000		(2,500,000)		0
30/11/2017	F	12/12/2022	2,625,000		(2,625,000)		0
30/11/2017	G	12/12/2022	2,625,000		(2,625,000)		0
3/03/2018	H	2/03/2023	2,000,000			(2,000,000)	0
3/03/2018	I	2/03/2023	2,000,000			(2,000,000)	0
3/03/2018	J	2/03/2023	2,000,000			(2,000,000)	0
15/06/2018	H	26/02/2023	833,333				833,333
15/06/2018	I	26/02/2023	833,333				833,333
15/06/2018	J	26/02/2023	833,334				833,334
			25,250,000	0	(7,750,000)	(15,000,000)	2,500,000

For the Class K, L and M Performance Rights, grant date was taken as shareholder approval for accounting purposes, the vesting period started on 7 June 2019.

i. Doug Halley

On 31 August 2019, the Company agreed to issue performance rights to Mr Doug Halley in his role as a Non-Executive Director of MMJ subject to shareholder approval. Following shareholders' approval on 28 November 2019, he was issued with 1,500,000 performance rights. These performance rights will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these performance rights started on 31 August 2019. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share-based payment expense was recognised for the Financial Period.

The fair value of the Class N, O and P performance rights was determined after applying the inputs below:

	Class N	Class O	Class P
Underlying share price	$0.155	$0.155	$0.155
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	$0.4048	$0.5096	$0.5995
Valuation date	28-Nov-19	28-Nov-19	28-Nov-19
Vesting period (years)	1.5	3	3
Probability	<50%	<50%	<50%
Number of rights	500,000	500,000	500,000
Fair Value per right	$0.155	$0.155	$0.155
Fair Value per tranche	$77,500	$77,500	$77,500
Value expense for the period	$0	$0	$0

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for Shares calculated at month end.

The fair value per tranche is before application of management probability.

ii. Winton Willesee

On 31 August 2019, the Company agreed to issue performance rights to Mr Winton Willesee in his role as a Non-Executive Director of MMJ subject to shareholder approval. Following shareholders' approval on 28 November 2019, he was issued with 1,500,000 performance rights. These performance rights will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these performance rights started on 31 August 2019. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share-based payment expense was recognised for the Financial Period.

The fair value of the Class N, O and P performance rights was determined after applying the inputs below:

	Class N	Class O	Class P
Underlying share price	$0.155	$0.155	$0.155
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	$0.4048	$0.5096	$0.5995
Valuation date	28-Nov-19	28-Nov-19	28-Nov-19
Vesting period (years)	1.5	3	3
Probability	<50%	<50%	<50%
Number of rights	500,000	500,000	500,000
Fair Value per right	$0.155	$0.155	$0.155
Fair Value per tranche	$77,500	$77,500	$77,500
Value expense for the period	$0	$0	$0

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for Shares calculated at month end.

The fair value per tranche is before application of management probability.

iii. Peter Wall

On 31 August 2019, the Company agreed to issue performance rights to Mr Peter Wall in his role as a Non-Executive Director of MMJ subject to shareholder approval. Following shareholders' approval on 28 November 2019, he was issued with 2,500,000 performance rights. These performance rights will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these performance rights started on 31 August 2019. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share-based payment expense was recognised for the Financial Period.

The fair value of the Class N, O and P performance rights was determined after applying the inputs below:

	Class N	Class O	Class P
Underlying share price	$0.155	$0.155	$0.155
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	$0.4048	$0.5096	$0.5995
Valuation date	28-Nov-19	28-Nov-19	28-Nov-19
Vesting period (years)	1.5	3	3
Probability	<50%	<50%	<50%
Number of rights	833,333	833,333	833,333
Fair Value per right	$0.155	$0.155	$0.155
Fair Value per tranche	$129,167	$129,167	$129,167
Value expense for the period	$0	$0	$0

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for Shares calculated at month end.

The fair value per tranche is before application of management probability.

iv. Jim Hallam

On 31 August 2019, the Company agreed to issue performance rights to Mr Jim Hallam in his role as a Chief Financial Officer and Company Secretary of MMJ subject to shareholder approval. Following shareholders' approval on 28 November 2019, he was issued with 1,250,000 performance rights. These performance rights will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these performance rights started on 31 August 2019. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share-based payment expense was recognised for the Financial Period.

The fair value of the Class N, O and P performance rights was determined after applying the inputs below:

	Class N	Class O	Class P
Underlying share price	$0.155	$0.155	$0.155
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	$0.4048	$0.5096	$0.5995
Valuation date	28-Nov-19	28-Nov-19	28-Nov-19
Vesting period (years)	1.5	3	3
Probability	<50%	<50%	<50%
Number of rights	416,667	416,667	416,666
Fair Value per right	$0.155	$0.155	$0.155
Fair Value per tranche	$64,583	$64,583	$64,583
Value expense for the period	$0	$0	$0

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for Shares calculated at month end.

The fair value per tranche is before application of management probability.

There were no Options issued to directors and other Key Management Personnel during year ended 30 June 2020.

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).

Vesting of performance rights granted in prior periods

i. The fair value of the Class H, I and J performance rights issued to Mr Jim Hallam was determined after applying the inputs below.

	Class H	Class I	Class J
Underlying share price	$0.32	$0.32	$0.32
Exercise price	Nil	Nil	Nil
20-Day VWAP barrier	$0.60	$0.80	$1.00
Valuation date	15-Jun-18	15-Jun-18	15-Jun-18
Vesting period (years)	3.7	3.7	3.7
Volatility*	30%	30%	30%
Risk-free rate	2.13%	2.13%	2.13%
Number of rights	416,667	416,666	416,667
Value per right	$0.13	$0.06	$0.03
Value per tranche	$52,917	$26,250	$12,917
Value expense for the year	$25,993	$11,348	$4,080

ii. The fair value of the Class K, L and M performance rights issued to Embark Ventures Inc was determined after applying the inputs below.

	Class K	Class L	Class M
Underlying share price	$0.29	$0.29	$0.29
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	$0.4048	$0.5096	$0.5995
Valuation date	19-Jul-19	19-Jul-19	19-Jul-19
Vesting period (years)	1.5	3	3
Probability	80%	60%	40%
Number of rights	4,000,000	4,000,000	4,000,000
Value per right	$0.29	$0.29	$0.29
Value per tranche	$928,000	$696,000	$464,000
Value expense/(reversal) for the period	$(36,238)	$(14,079)	$(9,386)

As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share-based payment expense was recognised for the Financial Period. (The share-based payments expense recognised in the financial year ended 30 June 2019 was $59,703 and was subsequently reversed during the financial year ended 30 June 2020).

b) Cancellation of performance rights

During the Financial Period, the following performance rights were cancelled with agreement of the holder and replaced by the rights in note 22(a)(iv):

i. 1,250,000 class H, I and J performance rights

The replacement of the performance rights was considered to be a modification. The fair value of the new performance rights issued was determined to be $0.155, refer note (a)(iv) for details, which exceeds the fair value of the replaced performance rights. However, no expense has been recognised with regards to the new performance rights issued as the probability of vesting as disclosed in note (a)(iv) is considered to be less likely rather than more likely.

c) Reconciliation of Options on issue

1-Jul-19	**Opening balance**	**4,120,891**
4-Dec-19	Lapse of Class K options	(625,000)
31-Jan-20	lapse of Class H options	(620,891)
30-Jun-20	**Closing balance**	**2,875,000**
1-Jul-18	**Opening balance**	**18,583,391**
5-Jul-18	Exercise of Options	(1,000,000)
24-Jul-18	Lapse of Class F options	(7,075,000)
8-Sep-18	Lapse of Class D options	(2,500,000)
24-Oct-18	Issue of Class L options	1,000,000
21-Jan-19	Lapse of Class J options	(3,000,000)
1-Mar-19	Lapse of Class G options	(2,537,500)
3-Apr-19	Issue of Class M options	1,000,000
6-May-19	Lapse of Class C options	(350,000)
30-Jun-19	**Closing balance**	**4,120,891**

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of Shares, or Options over Shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.
If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

d) Vesting of MMJ Options issued in prior periods

During the year, $94,325 was recognised as share-based payments made in respect of MMJ Options issued in prior years. The fair value of the Options was determined using the Black-Scholes option valuation methodology and applying the inputs below.

In addition, a $232,500 reversal was recognised in relation to Class K options previously issued as the non-market vesting performance was not met.

	Class H Options	**Class K Options**	**Class L Options**	**Class M Options**
Grant date	1/02/2016	1/02/2018	5/10/2018	22/02/2019
Exercise price	$0.27	$0.35	$0.41	$0.33
Expiry date	31-Jan-20	31-Oct-21	24-Oct-21	3-Apr-22
Risk-free rate	2.00%	2.13%	2.06%	1.87%
Volatility	95%	100%	80%	80%
Value per option	$0.20	$0.37	$0.16	$0.11
Total Options issued	1,779,641	1,500,000	1,000,000	1,000,000
Total Options on issue at 30 June 2020	0	875,000	1,000,000	1,000,000
Options vesting current period	0		500,000	500,000
Options vested prior periods	993,544	1,500,000		0
Options lapsed in prior years	(377,503)	-	0	0
Less Options exercised	(155,000)	-	0	0
Less Options expired / forfeited	(719,641)	(625,000)	0	0
Total Options vested at 30 June 2020	0	875,000	500,000	500,000
Amount expensed/(reversed) in current period	$0	(232,500)	$38,383	$55,942
Period over which options vest	Subject to vesting conditions, the Options shall vest and become exercisable over a period of 3 years, commencing from date of employment or 27 July 2015 (which ever is later) (the Commencement Date) such that one twelfth of the Options shall vest on the end of each three (3) month period of continuous employment or engagement following the Commencement Date.	Subject to vesting conditions, the Options shall vest and become exercisable over a period of 3 years, commencing from 1 November 2017 (the Commencement Date) such that one third of the Options shall vest on the end of each twelve (12) month period of continuous employment or engagement following the Commencement Date.	Subject to 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.	Subject to 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.

MMJ Group Holdings Limited

Directors' Declaration

30 June 2020

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the Declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a Resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Peter Wall
Non-Executive Chairman

16 September 2020

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Subiaco, WA 6008
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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of MMJ Group Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MMJ Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Financial Assets at Fair Value through Profit or Loss

Key audit matter	How the matter was addressed in our audit
As disclosed in note 7, as at 30 June 2020, the carrying value of financial assets recognised at fair value through profit or loss represents a significant asset of the Group. The financial assets held include listed securities, unlisted securities, and derivative securities. This is a key audit matter due to the size of the balance and the judgements applied by management in determining the fair value of financial assets at fair value through profit or loss.	Our procedures included, but were not limited to the following: • Reviewing financial assets held at 30 June 2020 and agreeing to ownership documents; • Reviewing management's assessment of fair value against the requirements of the relevant accounting standards, including agreeing acquisition costs and recalculating fair values at 30 June 2020; • Verifying disposals of investments during the year to supporting documentation; • Assessing management's calculations of movements in fair value on its financial assets held at fair value through profit or loss; • Involving our internal valuation specialists in reviewing the valuation methodology applied and a number of key inputs used; and • Assessing the adequacy of the related disclosures in notes 3 and 7 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 29 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of MMJ Group Holdings Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 16 September 2020

Additional information required by ASX Listing Rules

The additional information required the ASX Listing Rules set out below was applicable as at 13 August 2020.

1. Quotation

Listed securities in MMJ Group Holdings Limited are quoted on the Australian Securities Exchange under ASX code MMJ (fully paid ordinary shares).

2. Voting rights

The voting rights attached to the fully paid ordinary shares of the Company are:

(a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and

(b) On a show of hands every member present at a meeting (including virtual meetings through an online meeting platform) in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no voting rights attached to any options or performance rights on issue.

3. Distribution of shareholders

i) Fully paid ordinary Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	1,222	891,913	0.39%
above 1,000 up to and including 5,000	6,460	17,657,645	7.68%
above 5,000 up to and including 10,000	2,485	19,763,225	8.59%
above 10,000 up to and including 100,000	3,269	98,401,072	42.79%
above 100,000	238	93,240,130	40.55%
Totals	**13,674**	**229,953,985**	**100.00%**

Based on the price per security, number of holders with an unmarketable holding: 7698, with total 18,630,135, amounting to 8.10% of Issued Capital

ii) Class H performance rights expiring on or before 26 February 2023

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	-	-	-
above 1,000 up to and including 5,000	-	-	-
above 5,000 up to and including 10,000	-	-	-
above 10,000 up to and including 100,000	-	-	-
above 100,000	1	416,667	100.00%
Totals	**1**	**416,667**	**100.00%**

[1]Holders who hold more than 20% of securities are:

Mr Jim Hallam – 416,667 performance rights

iii) Class I performance rights expiring on or before 26 February 2023

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	-	-	-
above 1,000 up to and including 5,000	-	-	-
above 5,000 up to and including 10,000	-	-	-
above 10,000 up to and including 100,000	-	-	-
above 100,000	1	416,666	100.00%
Totals	**1**	**416,666**	**100.00%**

[1]Holders who hold more than 20% of securities are:

Mr Jim Hallam – 416,666 performance rights

iv) Class J Performance Rights expiring on or before 26 February 2023

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	-	-	-
above 1,000 up to and including 5,000	-	-	-
above 5,000 up to and including 10,000	-	-	-
above 10,000 up to and including 100,000	-	-	-
above 100,000	1	416,667	100.00%
Totals	**1**	**416,667**	**100.00%**

[1]Holders who hold more than 20% of securities are:

Mr Jim Hallam – 416,667 performance rights

v) Class K Performance Rights

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	4,000,000	100.00%
Totals	**1**	**4,000,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:

Embark Ventures Inc. – 4,000,000 performance rights

vi) Class L Performance Rights

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	4,000,000	100.00%
Totals	**1**	**4,000,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:

Embark Ventures Inc. – 4,000,000 performance rights

vii) Class M Performance Rights

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	4,000,000	100.00%
Totals	**1**	**4,000,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:

Embark Ventures Inc. – 4,000,000 performance rights

viii) Class N Performance Rights

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	-	-	-
above 1,000 up to and including 5,000	-	-	-
above 5,000 up to and including 10,000	-	-	-
above 10,000 up to and including 100,000	-	-	-
above 100,000	4	2,250,000	100.00%
Totals	**4**	**2,250,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:

Position	Holder Name	Holding	% IC
1	PHEAKES PTY LTD <SENATE A/C>	833,333	37.04%
2	CHAVOO PTY LTD <MIDHURST SUPER FUND A/C>	500,000	22.22%
2	CHINCHERINCHEE NOMINEES PTY LTD	500,000	22.22%

ix) Class O Performance Rights

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	-	-	-
above 1,000 up to and including 5,000	-	-	-
above 5,000 up to and including 10,000	-	-	-
above 10,000 up to and including 100,000	-	-	-
above 100,000	4	2,250,000	100.00%
Totals	**4**	**2,250,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:

Position	Holder Name	Holding	% IC
1	PHEAKES PTY LTD <SENATE A/C>	833,333	37.04%
2	CHAVOO PTY LTD <MIDHURST SUPER FUND A/C>	500,000	22.22%
2	CHINCHERINCHEE NOMINEES PTY LTD	500,000	22.22%

x) Class P Performance Rights

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	-	-	-
above 1,000 up to and including 5,000	-	-	-
above 5,000 up to and including 10,000	-	-	-
above 10,000 up to and including 100,000	-	-	-
above 100,000	4	2,250,000	100.00%
Totals	**4**	**2,250,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:

Position	Holder Name	Holding	% IC
1	PHEAKES PTY LTD <SENATE A/C>	833,333	37.04%
2	CHAVOO PTY LTD <MIDHURST SUPER FUND A/C>	500,000	22.22%
2	CHINCHERINCHEE NOMINEES PTY LTD	500,000	22.22%

xi) Class K Options exercisable at $0.35 on or before 31 October 2021

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	-	-	-
above 1,000 up to and including 5,000	-	-	-
above 5,000 up to and including 10,000	-	-	-
above 10,000 up to and including 100,000	-	-	-
above 100,000	1	875,000	100.00%
Totals	**1**	**875,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:

Ms Lisa Dea – 875,000 Options

xii) Class L Options exercisable at $0.41 on or before 24 October 2021

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	1,000,000	100.00%
Totals	**1**	**1,000,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:

Chavoo Pty Ltd<Midhurst Super Fund A/C> 1,000,000 Options

xiii) Class M Options exercisable at $0.33 on or before 3 April 2022

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	1,000,000	100.00%
Totals	**1**	**1,000,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:

Mr Michael Curtis – 1,000,000 Options

4. Substantial shareholders

There are no substantial shareholders listed on the Company’s register as at 13 August 2020

5. Twenty largest shareholders

The twenty largest shareholders of the Company's quoted securities as at 13 August 2020 are as follows:

Position	Holder Name	Holding	% IC
1	PHEAKES PTY LTD <SENATE A/C>	8,500,000	3.70%
2	MR GEORGE CHIEN-HSUN LU	7,000,000	3.04%
3	CITICORP NOMINEES PTY LIMITED	4,529,080	1.97%
4	MR GEORGE CHIEN HSUN LU & MRS JENNY CHIN PAO LU	3,260,000	1.42%
5	INTERNATIONAL WATER & ENERGY SAVERS LTD	3,257,100	1.42%
6	UNITED TROLLEY COLLECTIONS P/L	2,169,899	0.94%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,875,843	0.82%
8	ETIAM PTY LIMITED	1,600,000	0.70%
8	SILVERINCH PTY LIMITED <THE SILVERINCH S/F A/C>	1,600,000	0.70%
9	MR CARL GIANATTI & MRS MARGARET R GIANATTI <THE GIANATTI SUPER FUND A/C>	1,548,477	0.67%
10	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,517,670	0.66%
11	JASON BEDNAR	1,400,000	0.61%
12	MR WON JUN CHUNG	1,358,000	0.59%
13	LU'S INTERNATIONAL LIMITED	1,060,000	0.46%
14	JASON BEDNAR	1,026,522	0.45%
15	SEAN FARMER GROUP PTY LTD	1,020,318	0.44%
16	SENSE SAILING PTY LTD <DEEPBLUE SUPER FUND A/C>	935,713	0.41%
17	HENRIK SCHREIBER	764,117	0.33%
17	MR MAURUS REISENTHEL	764,117	0.33%
18	MR TOWYN JONES	762,109	0.33%
19	ELYSIUM PACIFIC SOLUTIONS INC	705,326	0.31%
20	MR PETER PADELA	700,000	0.30%
	Total	**47,354,291**	**20.59%**
	Total issued capital - selected security class(es)	**229,953,985**	**100.00%**

6. Restricted securities

There are no restricted securities listed on the Company's register as at 13 August 2020.

7. Share Purchase Plan

On 14 February 2020, MMJ announced a Share Purchase Plan ("SPP") with the Company receiving eligible subscriptions of $389,400 from 158 shareholders at the issue price of $0.08 per share.

8. Current on market share buyback

The Company does not have a current on-market share buyback.

9. LR4.10.19 disclosure

MMJ was admitted under rule 1.3.2(b) and an entity required to comply with listing rule 1.3.2(b) because of the application of listing rule 11.1.3. MMJ used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives for the whole of the reporting period.

10. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 100 (2019 – 46). Each contract note could involve multiple transactions. The total amount of brokerage paid on these contract notes was $33,495 (2019:$156,442).

11. Management Fees

The total management fees paid or accrued during the financial year were $439,121 (2019 $28,394).

12. Summary of Management Agreement

On 7 June 2019, the Company executed an Management Agreement with Embark Ventures Inc. ("EbV") was effective from 1 June 2019. On 19 July 2019, the Company's shareholders approved:

a) The issue of 12,000,000 performance rights to EbV.

b) The Investment Management Agreement between the Company and EbV which was effective from 1 June 2019.

Pursuant to ASX listing rule 4.10.20 (c) the Company provides a summary of the Management Agreement with Embark Ventures Inc.:

a) (Term): The appointment of EbV shall be for an initial term of three (3) years commencing on the date Shareholder approval is obtained by the Company (Term).

b) (Extension): There is no right of extension or renewal. Unless the Term is varied by the parties, the Management Agreement will end on expiry of the Term (if not terminated earlier).

c) (Exclusivity): EbV will provide the services to the Company on an exclusive basis during the Term. EbV may not assign their obligations without the consent of the Company, however, EbV is not precluded from providing services to another entity.

d) (Consideration): The Company must pay to EbV annual fees in an amount equal to:

   i. 0.50% per annum of the book value of the Company's investments as at 1 June 2019; and

   ii. 1.5% per annum of the book value of the Company's investments that are added after 1 June 2019,

   (together, Management Fees). The Management Fees are capped annually at 1.0% per annum of the Company's year-end Net Asset Value.

e) (Expenses): The Company agrees to reimburse EbV on request of all costs and out-of-pocket expenses incurred by Embark in connection with its performance of the services.

f) (Termination):

   Either party may terminate the Management Agreement by providing 3 months' written notice.

   i. The Company may immediately terminate the Management Agreement at any time by notice to EbV if any key professional person or Michael Curtis leaves the employ of EbV's corporate group without the Company's consent.

   ii. (Variation): The Management Agreement may only be varied or replaced by a document executed by the parties, all material variations will be subject to approval of the Shareholders as required by the ASX Listing Rules.

The Company has also issued EbV 12,000,000 performance rights. The key terms of the performance rights are follows:

a) Milestones:

The Company issued EbV 12,000,000 performance rights (Performance Rights) after Company shareholder approval on the following terms:

(i) Subject to applicable tax and securities law compliance, the Performance Rights shall vest and be convertible by EbV in accordance with the mechanics set out below, on a one-for-one basis, into Shares in three (3) equal tranches of 4 million Shares (each, a Tranche) upon the Company achieving the following NAVS/SP Average hurdles, as follows:

   (A) the first Tranche will vest upon achieving a NAVS/SP Average of at least $0.4047, (being a premium of at least 35% to the NAVS/SP Average on 1 June 2019 of $0.2998);

   (B) the second Tranche will vest upon achieving a NAVS/SP Average of at least $0.5096, (being a premium of at least 70% to the NAVS/SP Average on 1 June 2019 of $0.2998); and

(C) the third Tranche will vest upon achieving a NAVS/SP Average of at least $0.5995, (being a premium of at least 100% to the NAVS/SP Average on 1 June 2019 of $0.2998),

(together, the Milestones).

The bulk of EbV's remuneration is linked to material increases in MMJ's share price and net asset value, through the issue of Performance Rights to EbV. The Performance Rights convert on a one-for-one basis, into MMJ Shares in three (3) equal tranches upon MMJ achieving a simple average of month end net asset (after tax) value per share ("NAVS") and 20 day VWAP share price (together, the "NAVS/SP Average") hurdles which represent the following premiums to the NAVS/SP Average at contract commencement:

Tranche	Vesting Hurdle – % premium to NAVS/SP Average	Hurdles cents	No. of performance rights issued
A	35%	0.4047	4m
B	70%	0.5096	4m
C	100%	0.5995	4m

For example, Tranche A would be issued if the hurdle of 40.47 cents is achieved within 18 months of EbV's appointment.

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day VWAP for Shares calculated at month end.

(i) In order to determine if the NAVS/SP Average performance hurdles have been achieved, both the month end NAVS will be determined (as at the close of business on the last calendar day of every calendar month) and the monthly VWAP of the Company's share price will be determined (as at the end close of trade on the last trading day of the calendar month). These two numbers will then be combined and divided by two to ascertain whether the hurdle has been achieved.

(ii) Where a Performance Right vests as a result of achieving the NAVS/SP Average performance criteria outlined above, EbV will have 12 months to convert the Performance Right into Shares or the applicable Performance Right will lapse.

(iii) The Performance Right shall have a period of 3 years to achieve the relevant NAVS/SP Average performance vesting hurdle from the date of issue and will lapse immediately if the hurdle is not achieved at the end of the 3-year term. The exception will be the first Tranche which will lapse immediately if the applicable Performance Right will lapse.

b) Notification to holder:

The Company shall notify the holder in writing when the relevant Milestones have been satisfied.

c) Vesting:

The relevant Performance Rights shall vest on the later to occur of:

(i) the date that the Milestone relating to that Performance Right has been satisfied; and

(ii) the date that the holder gives a notice to the Company confirming that the holder would like the Performance Rights to vest.

d) Consideration:

The Performance Rights will be issued nil consideration.

e) Conversion:

Upon satisfaction of the relevant Performance Rights vesting, each Performance Right will, at the election of the holder, vest and convert into one Share.

f) Lapsing other than when Milestones are not satisfied

Where EbV is no longer engaged by the Company as a consultant for whatever reason, any unvested Performance Rights held will automatically lapse.

g) Share ranking:

All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.

h) Listing of Shares on ASX:

The Company will not apply for quotation of the Performance Rights on ASX. However, the Company will apply for quotation of all Shares issued pursuant to the vesting of Performance Rights on ASX within the period required by ASX.

i) Transfer of Performance Rights:

A Performance Right is only transferable with the prior written consent of the board or by force of law upon death to the holder's legal personal representative or upon bankruptcy to the holder's trustee in bankruptcy.

j) Participation in new issues:

There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.

k) Adjustment for bonus issue:

If securities are issued pro-rata to Shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the number of Performance Rights to which each holder is entitled, will be increased by that number of securities which the holder would have been entitled if the Performance Rights held by the holder were vested immediately prior to the record date of the bonus issue, and in any event in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the bonus issue.

l) Adjustment for reconstruction:

If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Right (including the Milestones) are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

m) Dividend and Voting Rights:

A Performance Right does not confer upon the holder an entitlement to vote or receive dividends.

Glossary

ABBREVIATION	Definition
AUD	means Australian dollars.
AASB	Australian Accounting Standards Board.
ACMPR	means Access to Cannabis for Medical Purposes Regulations.
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.
B2B	Business to business.
CAD	means Canadian dollars.
CBD	means Cannabidiol (CBD) is a crystalline, nonintoxicating cannabinoid in cannabis and hemp.
CBG	means Cannabigerol is the non-acidic form of cannabigerolic acid, the parent molecule from which other cannabinoids are synthesised.
Company or MMJ	means MMJ Group Holdings Limited (ACN 601 236 417).
EBITDA	means Earnings before Interest, Tax, Depreciation and Amortisation.
GMP	GMP stands for Good Manufacturing Practices and refers to a system of manufacturing that guarantees reproducibility of product quality to set specifications.
LPs	Canada's Licensed Producers of Cannabis Products.
M	means million.
MMPR	means Marihuana for Medical Purposes Regulation.
MOIC	means multiple on invested capital.
NTA	means net tangible assets.
Option	means an option to acquire a Share usually at predetermined price.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a registered holder of a Share.
THC	means THC is the principal psychoactive constituent of cannabis.
TSXV	Toronto Stock Exchange Venture.
Warrant	means an option to acquire a Share usually at predetermined price.
WST	means Western Standard Time as observed in Perth, Western Australia.