



PHYTOTECH MEDICAL

ASX RELEASE

2 March 2015

**PHYTOTECH SIGNS HEADS OF AGREEMENT TO LICENSE,
DEVELOP AND COMMERCIALISE A REVOLUTIONARY
VAPORISER DEVICE**

Highlights:

- Heads of Agreement signed with Canigma A.L. Ltd to develop a revolutionary capsule based vaporiser device for administering medical grade cannabis (MGC).
- Agreement strategically positions Phytotech to develop and deliver leading MGC devices to the global market, worth more than US\$1bn.
- The device, when commercialised, will provide significant health advantages to the patient and will deliver a higher dose of the active ingredient.
- Option to acquire 100% of Canigma following achievement of key milestones.

Phytotech Medical Limited (ASX:PYL), the Australian owned Medical Grade Cannabis (MGC) company today announces that it has entered into a Heads of



Agreement (HOA) with Canigma A.L. Ltd, based in Israel, to develop a revolutionary capsule based vaporiser to administer medical cannabis.

Canigma holds various intellectual property interests pertaining to a vaporiser delivery device for medical cannabis. Under the agreement, Phytotech will fund the development of this application with the purpose of commercialising the product. The funding provided by Phytotech will be applied towards the granting process of a patent for the device, the proof of concept and the development of the prototype.

In the event that Canigma is successfully granted a patent in respect of the device, Phytotech will subscribe for 50% of the issued fully paid shares in Canigma in consideration for investing up to US\$1 million (less the funds expended by Phytotech prior to this date). These investment funds will be used to develop the device and move it towards full commercialisation. Thereafter, Phytotech has an option to acquire the remaining 50% of the shares in Canigma, with the valuation based on achieving a number of commercialisation milestones, structured over a four-year period.

The device to be developed is a capsule based vaporiser with a unique and innovative delivery method for administering MGC. The product is patent pending and will offer an all in one product, with ready to use cannabis capsules. The capsule provides minimal contact between the consumer and the raw material and will be focused on increasing the efficiency, above the industry standard, through conduction and convection heating technologies. The innovative delivery method will provide the patients a clean, measurable and constant experience.

The Canigma device capsule strategy is based on the "Nespresso" model. The intention being that dispensaries will stock different capsules to treat different



indications and Doctors will then provide prescriptions to patients for a MGC capsule that has a defined ratio of THC and CBD. This will prevent abuse of the system and will also allow Doctors to monitor the use of MGC by patients more closely.

The key points of difference the Canigma device has to existing vaporisers on the market are:

1. It is smaller and easier to use than existing devices.
2. The vaporiser itself will include an innovative way of inhaling, suitable for the needs and habits of medical cannabis consumers.
3. It is clean and convenient—no handling medical cannabis leaves, bud or ash.
4. Delivers a higher dose of the active ingredient and is more efficient than the industry standard, thereby delivering significant health benefits.
5. Significantly lower levels of smoke and carcinogen vapour emission.

Phytotech will initially target the U.S medical cannabis market and intends to partner with cannabis growers to distribute globally, thereby reducing the risks of regulatory hurdles in various countries.

According to Researchers from The ArcView Group, a cannabis industry investment and research firm based in Oakland, California, the U.S. market for legal cannabis grew 74 percent in 2014 to US\$2.7 billion, up from US\$1.5 billion in 2013.

Boaz Wachtel, Managing Director of Phytotech Medical commented: *"This agreement marks an important milestone in our business strategy. We're delighted to be partnering with Canigma on the development of this revolutionary product and through this important phase for our business. The*



ASX RELEASE CONTINUED

use of cannabis capsules in a vaporiser is set to be the first product of its kind in the market and will bring substantial health benefits to the user. The team at Canigma bring the necessary skills and expertise required to successfully execute the development of this product and we look forward to working together to bring the vaporiser to market."

The financial commitment for the Company in respect of this deal in the first 12 months is relatively small and will be financed from the additional funds taken under the IPO Prospectus. The Company remains fully funded and does not require any finance to execute the current business model.

-Ends-

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About PhytoTech Medical Limited

Phytotech Medical is a medical cannabis company, which aims to commercialize Medical Grade Cannabis (MGC) and high potential cannabis based therapeutics products to the rapidly growing international market with regulated medical



cannabis laws. With research facilities located in Israel, a global leader in medical cannabis research, the Company is strategically positioned to become a key player in the global MGC market.

The Company is focused on the research, development and commercialization of products for administering MGC, and on new treatments utilizing MGC therapeutic components for various medical conditions. In addition, the Company aims to grow proprietary strains of MGC in California, Uruguay and other jurisdictions.

Phytotech has entered into an exclusive research and licensing agreement with Yissum, the prestigious Research Development and technology transfer Company of Hebrew University in Jerusalem, Israel. Yissum was founded in 1964 to protect and to commercialize the Hebrew University's intellectual property. Products based on Hebrew University technologies that have been commercialised by Yissum currently generate US\$2 Billion in annual sales. Ranked among the top technology transfer companies in the world, Yissum has registered over 8,500 patents covering 2,400 inventions; has licensed out 750 technologies and has spun out 90 companies. Yissum's partners span the globe and include names such as Microsoft, Johnson & Johnson, Syngenta, Monsanto, Roche, Novartis, Merck, Teva and many more.

Using proprietary technology, Phytotech's vision is to administer ground breaking health benefits of cannabinoids in oral preparations, vapor form, and other routes of administration in safe and effective ways.

<http://www.phytotechmed.com/>



CANIGMA

CANNABIS INNOVATIONS

2015

U.S. MARKET*

CANNABIS INDUSTRY

\$3B

ANNUAL GROWTH

72%

MARKET SIZE IN 2019

\$11B

* http://www.huffingtonpost.com/2015/01/26/marijuana-industry-fastest-growing_n_6540166.html

VAPORIZING TREND

 **USA TODAY™** MARCH 2014

"VAPORIZER, E-CIGS OF THE POT WORLD, ARE BOOMING!"

NEW YORK POST NOVEMBER 2013

"VAPORIZERS ARE THE SECOND MOST POPULAR ITEM AFTER HAND-BLOWN GLASS BOWLS"

Mashable FEBRUARY 2014

"THE LATEST 'HEALTH' CRAZE IS WEED VAPORIZING"

REGULATION

USA

23 STATES

2 RECREATIONAL

CANADA

EU

15 COUNTRIES

ISRAEL

URUGUAY

INDUSTRY'S EFFORT:

STANDARTISATION

DOSAGE CONTROL

UNIFORM EFFECT

STANDARTISATION TECHNOLOGIES

1

AGRICULTURE

TISSUE CULTURE



2

PROCESS

EXTRACTION

CONCENTRATES



3

DELIVERY METHODS



Delivery methods

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graph TD; A[Delivery methods] --> B[Digestive System]; A --> C[Buccal system]; A --> D[Respiratory System]; B --> B1[Edibles]; B --> B2[Concentrated oil]; C --> C1[Inhalers/spray]; C --> C2[Lozenges]; D --> D1[Bong/Cigarette]; D --> D2[Vaporizers];
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Digestive System

Edibles

Concentrated oil

Buccal system

Inhalers/spray

Lozenges

Respiratory System

Bong/Cigarette

Vaporizers

Delivery methods

Digestive System

Edibles.

Concentrated oil

Buccal system

Inhalers/spray

Lozenges

Respiratory System

Bong/cigarette

Vaporizers

- ✓ IMMEDIATE
- ✓ HEALTHIER
- ✓ TRENDY

BEST SELLER?



PROBLEMS

DELIVERY UNIT →

CANNABIS CHAMBER →

VAPORIZER →



USAGE

DIRTY, COMPLEX

DELIVERY

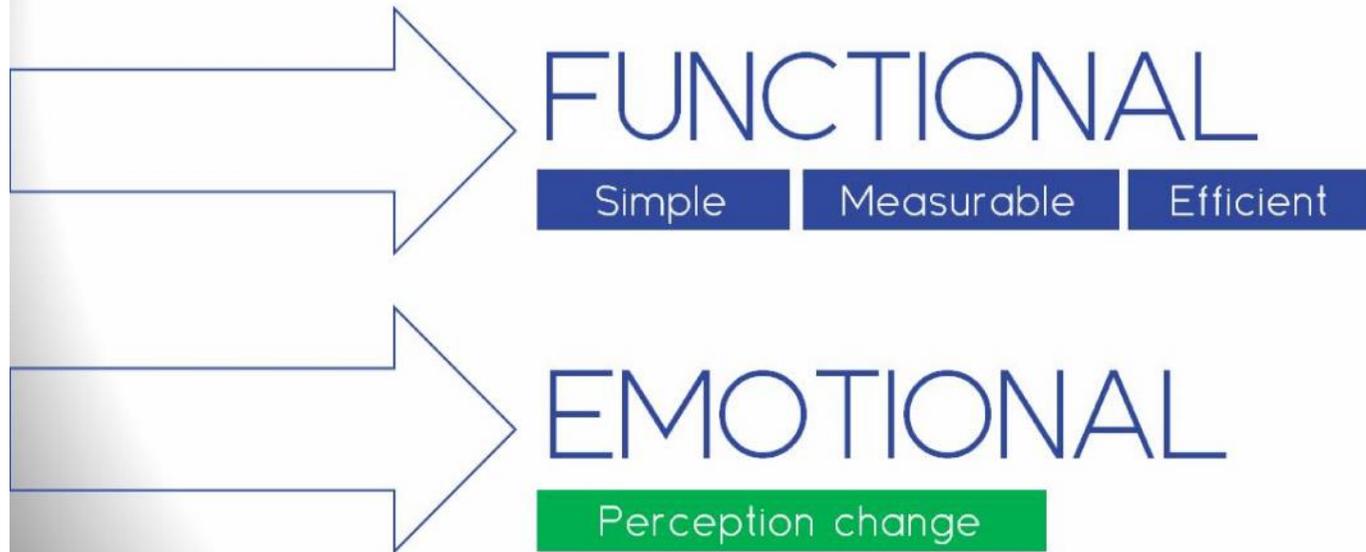
BULKY, PERCEPTION

EFFICIENCY

30% - 55% of THC

Volcano
VAPORIZER

WE AIM TO INNOVATE:



INSPIRATION

NESPRESSO®



CANIGMA



CANIGMA

V1.0

UNIQUE CAPSULE BASED
STATIONARY VAPORIZER



HEATING TECH*

↑ Pros

- Allows for less complicated designs and cheaper devices.
- Allows for very fast warm up times

↓ Cons

- Higher risk of combustion
- Require stirring/shaking of herb between draws.
- Often harder for a novice to operate effectively

CONDUCTION

n. The transfer of thermal energy through a substance or solid.



Conduction
Herb is in direct contact with heated surface



HEAT SOURCE

CONVECTION

n. The transfer of thermal energy through a liquid or gas.



Convection
Hot air passes around and through herb

HEAT SOURCE

↑ Pros

- More accurate temperature control
- More even heating of herb
- Lower risk of combustion

↓ Cons

- Usually more expensive
- Slower warm up times

*<http://www.v&pe.com/blogs/news/7883553-conduction-vs-convection-vaporizers-infographic>

EXISTING PRODUCTS IN THE MARKET



Portable



Stationary



Conduction

Convection



Portable

Stationary

CORE IP:

Efficiency:

- Higher Than Industry Standard
- Constant

Vaporizer :

- Heating Algorithm
- Puncture System

Capsule:

- Capsule Shape & Material
- Puncture Tech
- Shelf Life

Optional Feature:

- Temp. Control- Various Cannabinoids

Differentiated Delivery Method*

*Provisional patent Application no. 61/952,236



POSITIONING

Efficiency

50%

CONFIDENTIAL



Ease of use

TARGET MARKET

Age 45+



50% OF THE MEDICAL CANNABIS MARKET



CONSUMES MORE CANNABIS TODAY THAN EVER BEFORE



HAVE THE HIGHEST DISPOSABLE INCOME IN THE U.S.

SOURCES
IBIS//FSF//



BUSINESS MODEL

28 g

AVERAGE USAGE
PER MONTH

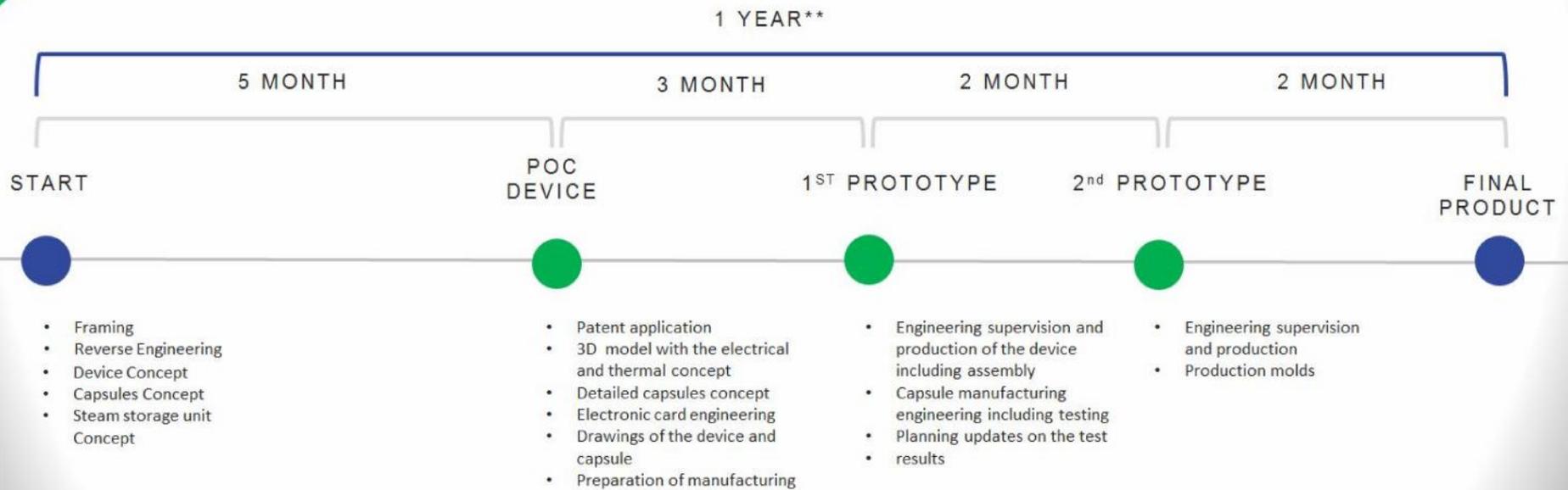
0.2 g

PER CAPSULE

140

CAPSULES A
MONTH

R&D ROADMAP



** Estimation



CANIGMA

CANNABIS INNOVATIONS

2015