



## ASX RELEASE

28 April 2015

### **Quarterly Update and Appendix 4C for the period ended 31 March 2015**

#### **Highlights**

- First Medical Cannabis company to list on the ASX
- Completion of \$5.9 million IPO capital raising, which was significantly oversubscribed
- Key industry experts appointed, strengthening board and management team
- Strategic merger with MMJ BioScience Inc positions the Company as a global vertically integrated medical cannabis company, diversified and growth orientated with operations across Israel (R&D), Canada (Growing) and Europe (Sales and distribution)
- PYL-MMJ merger expected to bring near and mid-term term cash flow from sales of MMJ's CBD capsule in Europe from July 2015 and sales of MC to patients in Canada, pending imminent license approval of MMJ's Duncan Facility
- Major agreements secured with industry leading partners:
  - *Yisum Research Institute*, leading Israel research and technology development business, to develop innovative oral capsule and buccal delivery device
  - *Canigma A.L Ltd*, Israel based company, to develop revolutionary capsule based vaporiser device for administering medical cannabis



## ASX RELEASE CONTINUED

**PhytoTech Medical Limited** (ASX:PYL) ("PYL" or the "Company") is pleased to provide the following update on its activities during the three month period ended 31 March 2015 and its Appendix 4C quarterly cash flow report for the same period.

In January 2015, the Company became the first Medical Cannabis ("MC") company to list on the ASX, following a successful IPO capital raising of \$5.9 million which included \$900,000 of oversubscriptions. Since listing, the Company has made significant progress in executing its strategy to become a fully integrated MC company which aims to supply Medical Grade Cannabis ("MGC") and therapeutics products to a rapidly growing market.

### **Operational**

A key component of the Company's strategy is to commercialise cannabinoids based drug-products. In January this quarter, the Company took the lead in the research and development activities in collaboration with Yissum Research and Development Company ("Yissum") in Israel. Through an exclusive licensing agreement of three different patents and patent applications, the company is developing a unique oral capsule and a buccal patch to enhance the bioavailability of Cannabidiol ("CBD") and/or Tetrahydrocannabinol ("THC"), the active ingredients in cannabis for the treatment of various, high potential clinical conditions. The most advanced product in development is a soft gelatine capsule containing THC:CBD for treatment of pain and spasticity in Multiple Sclerosis. PYL is expecting to initiate Phase 1 clinical study by Q4 this year.

The cannabinoids to be used with both technologies are currently used in other commercially registered products and have been prescribed to patients for extended periods of time, and have therefore been shown to be safe and efficacious. For this reason, the clinical development regulatory route is anticipated to be markedly shorter, simpler and less expensive when compared to many other clinical products.



## ASX RELEASE CONTINUED

Alongside the development of the oral capsule and buccal delivery device, the Company also announced its intention to develop a revolutionary capsule based vaporiser for administering MGC. This quarter PhytoTech made the first step towards the development process through an agreement to acquire 100% of Canigma A.L Ltd ("Canigma").

Canigma holds various intellectual property interests pertaining to a vaporiser delivery device, which is currently pending a patent. PhytoTech intends to provide funding for the patent application process and development of the prototype, with the intention of commercialising the product upon completion.

### **Corporate**

#### *Merger with MMJ BioScience Inc.*

On 24 March 2015, PhytoTech announced a strategic merger with MMJ BioScience Inc ("MMJ").

The merger with MMJ BioScience Inc positions the Company as a global vertically integrated MC company, diversified and growth orientated with operations across Israel (R&D), Canada (Growing) and Europe (Sales and distribution). Both companies have complementary strategies and asset portfolios and the Company is confident the merger will yield significant synergies.

The MMJ group has three fully owned subsidiaries (United Greeneries, Satipharm and AgriChem Analytical), which will join the merged entity upon completion of the transaction.

United Greeneries Ltd has two production facilities in Canada, one of which is currently undergoing license applications under the Marijuana for Medical Purposes Regulations ("MMPR") to join what is currently a small peer group of 22 companies who are licensed to grow medical Cannabis in Canada. MMJ's facility located in Duncan, near Vancouver, has recently received a pre-inspection



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readiness request from Health Canada, which means the facility is in the final stages of its license application and is on track to become a licensed producer under MMPR. Once licensed at both its Duncan facility and ultimately its larger Lucky Lake facility United Greeneries will have the capacity to produce and sell up to 700,000g of MC per annum. MMJ is targeting revenues from its initial production at Duncan before the end of this calendar year.

In addition to the above, the PYL-MMJ merger is expected to bring near term cash flow from MMJ's pharmaceutical and nutraceutical arm, Satipharm, which has developed a proprietary GMP-produced gastro-resistant CBD pill, which is expected to be legally sold as a dietary supplement over the counter in the E.U from July. The Company is initially targeting sales of 30,000 pills per month and quickly ramping up to 135,000 pills per month at a sales price of 3 Euros each.

Deal consideration (based on PYL's last traded share price of \$0.305 immediately prior to the announcement of the proposed merger) of \$15.5 million in PYL scrip and additional \$5.2 million in performance shares subject to completion of value creating milestones.

The deal is subject to customary conditions, including the successful completion of due diligence by both PYL and MMY, approval from the MMJ debenture holders and PYL shareholders and agreement of escrow conditions on the PYL shares issued as consideration. The merger is expected to complete in the current quarter.

### *Board and Management Team Appointments*

This quarter PhytoTech made key appointments, which strengthened the management team and board and added further skills and expertise across the Company. In January 2015, Dr Benad Goldwasser was appointed as Non-Executive Director and Consultant to the Company. Dr Goldwasser is a medical device development expert and he brings a deep understanding of the industry and development processes. He has extensive experience in founding and establishing



## ASX RELEASE CONTINUED

a number of medical device companies, all with successful exits to private and public companies.

In addition, the Company appointed Dr Daphna Heffetz as CEO for the Israel operations. Dr Heffetz has over 20 years' experience leading biotech and medical device companies, having most recently held the position as CEO with Alon MedTech Ventures, an Israeli medical device and technology accelerator. She is responsible for the development and commercialisation of PhytoTech's therapeutic products in collaboration with Yissum.

***-Ends-***

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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

PHYTOTECH MEDICAL LIMITED

ABN

91 601 236 417

Quarter ended ("current quarter")

31 March 2015

### Consolidated statement of cash flows

Cash flows related to operating activities		Period of (20 Jan 2015 to 31 March 2015) \$A'000	Period of (20 Jan 2015 to 31 March 2015) \$A'000
1.1	Receipts from customers	-	-
1.2	Payments for (a) staff costs	(104)	(104)
	(b) advertising and marketing	(3)	(3)
	(c) research and development	(98)	(98)
	(d) leased assets	-	-
	(e) other working capital	(420)	(420)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	21	21
1.5	Interest and other costs of finance paid	(3)	(3)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
<b>Net operating cash flows</b>		<b>(607)</b>	<b>(607)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Period of (20 Jan 2015 to 31 March 2015) \$A'000	Period of (20 Jan 2015 to 31 March 2015) \$A'000
1.8 Net operating cash flows (carried forward)	(607)	(607)
<b>1.9 Cash flows related to investing activities</b>		
Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(1)	(1)
(e) other non-current assets	-	-
<b>1.10 Proceeds from disposal of:</b>		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(1)</b>	<b>(1)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(608)</b>	<b>(608)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (capital raising costs)	(28)	(28)
<b>Net financing cash flows</b>	<b>(28)</b>	<b>(28)</b>
<b>Net increase (decrease) in cash held</b>	<b>(636)</b>	<b>(636)</b>
1.21 Cash at beginning of quarter/year to date	5,213	5,213
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	<b>4,577</b>	<b>4,577</b>

+ See chapter 19 for defined terms.

## Payments to directors of the entity and associates of the directors

### Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	88
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Directors fees and consulting fees.	

## Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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## Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-
3.2	Credit standby arrangements	-

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+ See chapter 19 for defined terms.



**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

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**Reconciliation of cash**

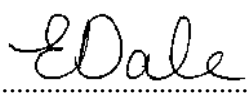
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	4,547	4,547
4.2	Deposits at call		
4.3	Bank overdraft		
4.4	Other (term deposits)	30	30
<b>Total: cash at end of quarter (item 1.23)</b>		<b>4,577</b>	<b>4,577</b>

**Acquisitions and disposals of business entities**

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity		
5.2	Place of incorporation or registration		
5.3	Consideration for acquisition or disposal		
5.4	Total net assets		
5.5	Nature of business		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 28 April 2015  
 (Company secretary)

Print name: ERLYN DALE

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+ See chapter 19 for defined terms.

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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