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10 August 2015

MMJ PhytoTech Limited

The World's Only Junior, Publicly Traded, Vertically-Integrated, Medical Cannabis Company

Fellow Shareholders,

On the 27th of July 2015, MMJ Bioscience Inc. and PhytoTech Medical Limited completed a 'Merger of Equals' transaction resulting in the formation of **MMJ PhytoTech Limited (ASX:MMJ)** ('MMJ', or the "Company"). As the newly appointed Managing Director of the resulting entity, I would first like to thank all of the Company's existing investors for your support and extend a very warm welcome to MMJ's new shareholders who participated in the recently completed, oversubscribed A\$4.8m equity offering. The combination of these two highly complementary businesses has created a unique, vertically-integrated medical cannabis ('MC') company poised for significant growth and value creation for shareholders. As the Managing Director and a fellow shareholder, I am excited by the opportunity to lead the Company through this transformational period.

MMJ PhytoTech Limited – 'The MMJ Difference'

From the founding of our Company's first predecessor in 2011, MMJ's strategy has been guided by the belief that the true value of MC – as a medicine and an investment – can only be realised through pharmaceutical applications. This belief was key to the strategic rationale of the merger and remains a driving principle of our strategy going forward.

Since 2011 MMJ has been busy putting together all of the components required to make our MC-based pharmaceutical aspirations a reality. Today our company sits uniquely positioned to become a leader in the emerging and quickly evolving MC sector.

What is 'The MMJ Difference'?

- ✓ **Unique Assets Implemented and In Place Today** – Four years spent assembling current asset base and it is in place, implemented today.
- ✓ **Legal Source of Medical Grade Cannabis** – MMJ expects to be licensed under Canada's Marihuana for Medical Purposes Regulations ('MMPR') imminently, allowing our Company to legally cultivate MC at our Duncan Facility in British Columbia, Canada
- ✓ **'Farm to Pharma' Full Integration of the MC Value Chain** – The real value is in the integration of the whole MC supply chain

MMJ is the World's Only Junior, Publicly Traded, Vertically-Integrated MC**Unique Assets Implemented and In Place Today**

We are very proud of the assets we have assembled at MMJ. Vertically-integrated, global and one of a kind in the junior markets. Despite being early entrants to the MC market, it took roughly four years to assemble our three business units - Cultivation, Pharmaceutical Processing and Clinical Development. Together these businesses have huge operational and strategic synergies and provide a level of strategic flexibility to management that is uncommon. Further, the complementary nature of the businesses' expected cash flows will allow MMJ to minimise shareholder dilution without sacrificing future growth opportunities. This symbiotic combination of assets is very much one of MMJ's competitive advantages. Not only does it provide a significant edge operationally, strategically and financially, it also acts as a barrier to entry. Given the current market, rarity of the assets and other factors, we expect that a competitor would find it very difficult to replicate our model in a reasonable amount of time.

1 Cultivation

- ✓ Final stage Marihuana for Medical Purposes Regulations (MMPR) applicant
- ✓ Two facilities, combined 78,000 ft² area and 12 tonnes/year potential production capacity
- ✓ Expected to act as legal and secure source of raw inputs (MC) feeding the value chain
- ✓ **Competitive advantages:** Once licensed, United Greeneries ('UG') will be one of few companies legally allowed to produce MC globally

2 Pharmaceutical Processing

- ✓ Pharma-grade producer / distributor of bulk and packaged MC-based compounds
- ✓ Exclusive R&D and production alliance with two Swiss partners
- ✓ Revenues expected this month from sales of GMP-produced CBD food supplement pill
- ✓ **Competitive advantages:** Highly specialised MC extraction techniques; exclusive delivery technologies; first mover in huge growth market with 'picks & shovels' model

3 Clinical Development

- ✓ Pharmaceutical R&D and clinical development arm of MMJ
- ✓ Exclusive licensing and research partnership with Yisum R&D Company
- ✓ Low-cost, fast-to-market approach to R&D

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- ✓ 1st Phase 1 clinical study commencing Q4 2015, robust pipeline
- ✓ **Competitive advantages:** Expected to be one of a few pharmaceutical companies with legal, stable and secure supply of MC-based compounds; 'short-cut' approach to R&D

Legal Source of Medical Grade Cannabis

MMJ's Canadian cultivation subsidiary, United Greeneries, is expected to soon be added to the very short list of only 21⁽¹⁾ companies in Canada that are fully legal, federally sanctioned Licensed Producers ('LP') of MC. Given that Canada is one of the only countries with a fully legal, commercial MC framework in place, MMJ will also become one of the few global companies legally allowed to produce MC.

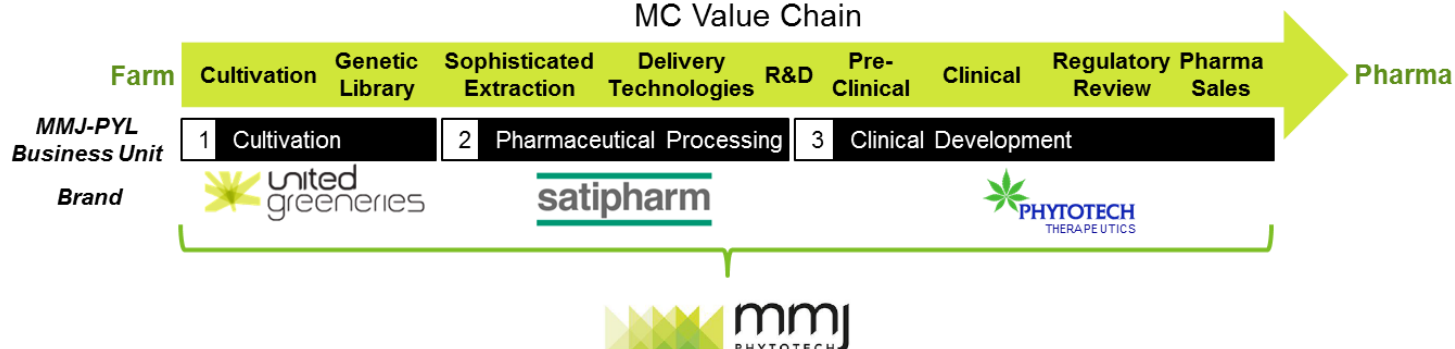
The legal status of cannabis has severely hindered the advancement of its potential as a treatment for diseases or symptoms of diseases. So much so that the FDA has only ever approved two MC-based pharmaceuticals both of which were synthetic versions of THC. The biggest issue over the last few decades has been the virtually non-existent supply of legal, consistent and secure MC for research and clinical development purposes. It is clear that in order to make any meaningful headway in the world of MC-based pharmaceuticals you must have your source of MC secured.

On April 1st, 2015, MMJ Bioscience received a 'Confirmation of Readiness' letter from Health Canada which is the final written correspondence prior to a pre-license inspection. This is significant because, to our knowledge, no group has received a 'Confirmation of Readiness' letter and not been subsequently licensed under the MMPR.

'Farm to Pharma' Full Integration of the MC Value Chain

Through its three business units, MMJ has created a platform that spans the entire MC value chain from 'Farm to Pharma'.

MC Value Chain



¹ Pro Forma for Tweed's Acquisition of Bedrocan Canada. In total there are 25 licenses (6 cultivation, 19 cultivation and sale) that have been granted but there are 21 companies that possess them. Tweed owns two licensed facilities as does Bedrocan and Mettrum.

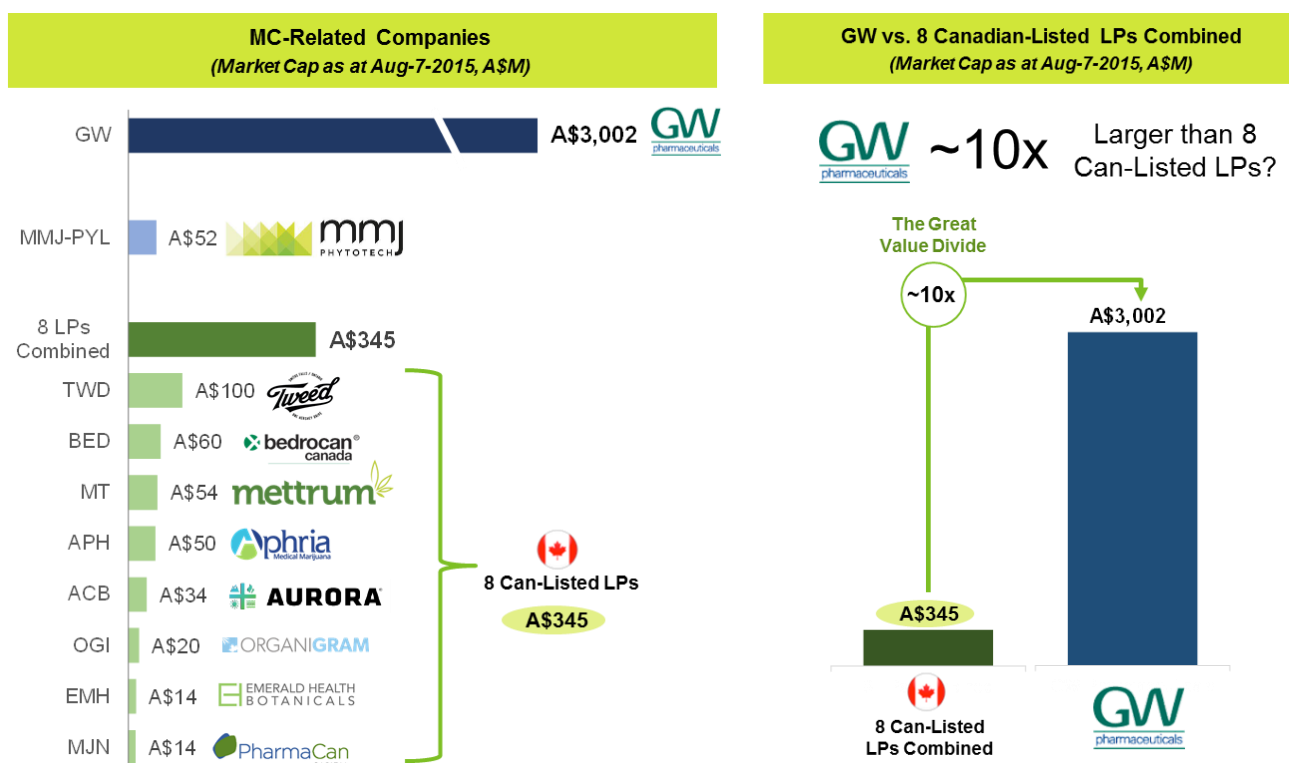
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As previously mentioned, the pursuit of plant-based MC pharmaceuticals is virtually impossible without control of the entire MC supply chain. Our 'Farm to Pharma' strategy allows us to secure the entire MC supply chain, ensuring control of all the critical elements of the business.

Without the legal and secure supply of raw inputs from the Cultivation unit, the Pharmaceutical Processing and Clinical Development units become severely limited. Conversely, the true value of the Cultivation unit cannot be realised without the high margins and increased market access provided by the Pharmaceutical Processing and Clinical Development units. In other words, the value is in the integration of the supply chain.

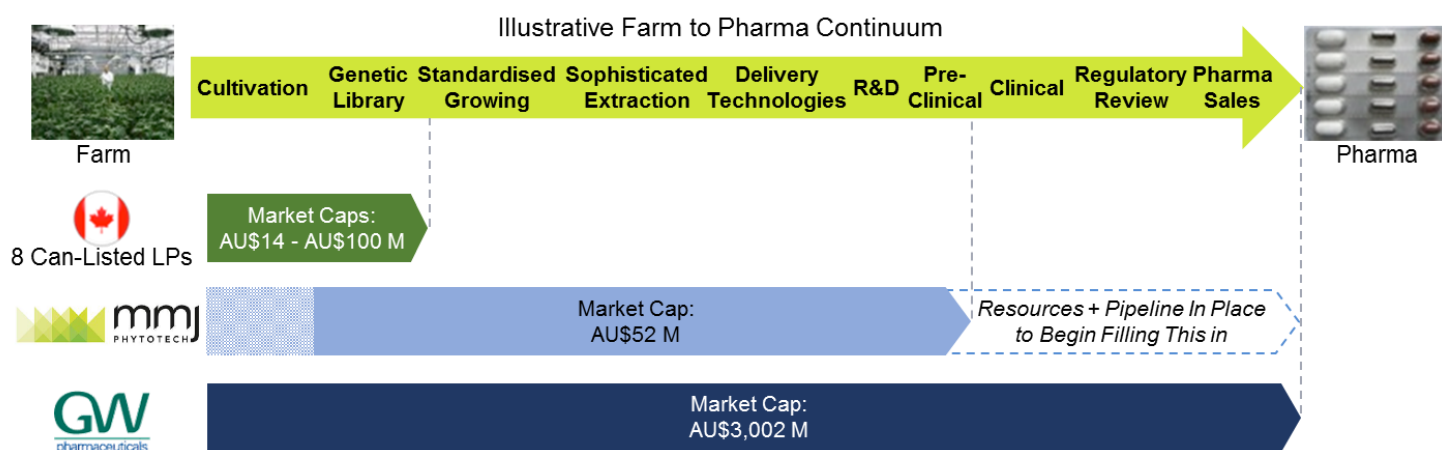
The Great Value Divide

Within the global capital markets there are few publicly traded companies that are comparable to MMJ. The closest one is UK-based, LSE and NASDAQ listed biopharmaceutical company, GW Pharmaceuticals ('GW'). GW is not a perfect comparable in that they are more advanced than MMJ, have a significantly larger market cap (A\$3.0B) and a different core focus. MMJ is often mistakenly compared to the eight public Canadian-listed MMPR LPs. This comparison is a poor one because it only captures one of our three businesses units, the one with the least favorable margins and market dynamics. MMJ's operations more resemble a junior version of GW. This is a good thing, because of 'The Great Value Divide'.



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The obvious question is: why is GW nearly 10x the size of all the publicly traded Canadian-listed LPs? The answer is: 'Farm to Pharma'. GW captures the entire MC value chain and is one of the few companies worldwide that is legally allowed to cultivate MC. MMJ's 'Farm to Pharma' strategy positions our Company in a similar way.



Looking at the relative spans of the value chain, the value gap between the 8 Canadian-listed LPs and GW starts to make more sense. GW is a pharmaceutical company. The 8 LPs operate in a highly regulated industry with robust competition and margins that are starting to compress. GW is also a much more established company, currently selling a pharmaceutical in several countries (not including the U.S.) and conducting multiple Phase I, II, and III studies in both Europe and the U.S.

First Revenues Expected this Month

MMJ expects to reach another significant milestone this month with the first sales of its GMP-produced, proprietary CBD food supplement. Together with its two Swiss partners, Ai Fame and Gelpell, MMJ's subsidiary Satipharm began production of these game-changing pills several months ago. Satipharm will commence online sales to customers in the European Union over the next few weeks and expects monthly revenue to reach several million dollars within 12 months. We feel that the GMP-production status, the high purity and enhanced bioavailability of the CBD and the non-aggressive pricing of the supplement will make it very popular.

Satipharm and Ai Fame entered into a contract for the delivery of a minimum of 12kg of CBD extract to be used in the production of these pills. The extract is processed by Gelpell, under an exclusive technology use agreement, into gastro resistant micro gel capsules which significantly enhance the bioavailability of the CBD.

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'Picks and Shovels' Approach to Pharmaceuticals

In early July, The Supreme Court of Canada ruled that LPs can produce and sell cannabis oil/extracts and fresh marijuana buds and leaves in addition to dried marijuana. This created a substantial opportunity for MMJ to produce and distribute additional MC-based products in Canada. Given the complexities associated with starting an efficient and consistent extraction program from scratch, it would likely take up to two years for the majority of existing LPs to get to a point where they can produce an acceptable product. The cost associated with establishing such a program will be enough to deter some LPs.

Accordingly, MMJ PhytoTech and Ai Fame have signed a binding LOI that appoints Satipharm as the exclusive marketing and distribution agent for all products that Ai Fame produces. This includes up to 20kg of MC-based Active Pharmaceutical Ingredients ('API') per month in the form of THC, CBD, THC-A, CBD-A or THCV API grade compounds.

Satipharm will be able to immediately export suitable extracts to Canada where they can be sold by United Greeneries at a price that is highly competitive with the cost of production by the LPs themselves. The near- and long-term benefits of this are significant, with the potential for Satipharm to establish itself as a major supplier to the industry. Satipharm will also be able to offer API grade compounds to research groups and pharmaceutical companies worldwide. This 'Picks and Shovels' positioning as a supplier of organic, MC-based API compounds to a broad client base will coincide with very attractive supply / demand fundamentals in that market. Demand for MC-based API compounds is expected to continue to rise significantly while supply is virtually non-existent. Currently, when available, organic MC-based API compounds sell for upwards of US\$350,000/kg.

Fast Tracked R&D of Pharmaceuticals and Delivery Technologies

The Company's clinical development arm, PhytoTech Therapeutics ('PT'), is approaching R&D with focus on ROI. 'Fast Track' methods employed by PT designed to achieve a favorable regulatory path will minimise costs and expedite the clinical development process. The company expects to start its first Phase I clinical study in Q4 2015 with a MC formulation that targets the relief of pain and spasticity in MS patients. By using a formulation that is already commercially available in combination with alternative delivery technologies, PT is working towards enhancing the bioavailability of the formulation.

Our pipeline of potential drugs and delivery technologies is robust, supported by an exclusive licensing and research partnership with Yisum, the Hebrew University of Jerusalem's technology transfer company.

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Self-Funding, Non-Dilutive Pharmaceutical R&D

The well-timed expected cash flows of our Company will give us the ability to achieve a state of financial self-sufficiency in the near- to mid-term. Sales of the Company's proprietary, GMP-produced CBD pill are expected to grow rapidly creating an immediate revenue source for the group.

At the same time, the upgrades required for the MC-based API strategy are soon underway and expected to be rolled out in Q4 2015.

Cash flow from these market initiatives is expected to be used to increase the production capacity for CBD pills and API compounds, introduce other supplements and fund clinical development activities at PhytoTech Therapeutics, creating a self-funding, non-dilutive pharmaceutical developer.

What's Next? Growth!

MMJ has a number of exciting and transformative months ahead, with our first revenues expected this month from the CBD supplements, a number of events leading up to the expected MMPR licensing at Duncan, plus several other significant catalysts expected over the next eight to twelve months.

This merger was a significant event but it was only the beginning. My goal as Managing Director is to lead MMJ through this formative period in an aggressive yet disciplined way, ensuring the Company continues to be positioned to maximise shareholder value in the near- and long-term.

Thank you again for your continued support.

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About MMJ PhytoTech Limited

MMJ PhytoTech is a Medical Cannabis company, which aims to commercialise Medical Grade Cannabis (MGC) and high potential cannabis based therapeutics products to the rapidly growing international market with regulated medical cannabis laws. The Company operates three subsidiaries with operations across the entire Medical Cannabis value chain, encompassing the Company's "Farm to Pharma" strategy.

It's **United Greeneries** subsidiary has growing facilities in Canada and is fully integrated with Agrichem Analytical, its quality control and testing laboratory. **Satipharm** has a number of key international distribution partnerships for the distribution of cannabinoid-based pharmaceutical, nutraceutical and wellness products.

Through its **PhytoTech Therapeutics** subsidiary in Israel the Company has an exclusive research and licensing agreement with Yisum, the prestigious Research Development and technology transfer Company of Hebrew University in Jerusalem, Israel, a global leader in medical cannabis research.