

30 October 2015

MMJ PHYTOTECH LIMITED

September 2015 Quarterly Update

Focus Shifted to Execution after Successful Post-Merger Integration; Strong Start to December Quarter with Unexpected Developments Positioning Company Well

Highlights

- PhytoTech Medical and MMJ Bioscience merger successfully closed in late July, strategically positioning the Company as a vertically-integrated, Medical Cannabis ("MC") company with operations across the entire MC value chain and in key MC markets
- Trading in the combined MMJ PhytoTech Limited ("MMJ" or the "Company") on the ASX commenced 28 July 2015 after completion of oversubscribed \$4.8m equity offering
- New Board members and management welcomed, Scientific Advisory Board dissolved
- Minor post-merger integration of business units completed smoothly with operations streamlined in to three business units spanning "Farm to Pharma": Cultivation, Pharmaceutical Processing and Clinical Development
- **Cultivation:** Duncan Facility completed and awaiting inspection by Health Canada after final security installations, facility optimizations and internal pre-emptive deficiency audit completed throughout and subsequent to end of quarter
- **Pharmaceutical Processing:** Satipharm generates first revenues from sale of proprietary CBD Gelpell® Gastro-Resistant Microgel Capsules ("Capsules") through newly launched direct sales platform www.Satipharm.com
- **Clinical Development:** MMJ's subsidiary PhytoTech Therapeutics receives approval from all relevant bodies for MMJ's first clinical trial which commenced in Israel in late October
- Following the announcement that the Federal Government of Australia intends to legalise MC, MMJ moves quickly to retain Australian based legal firm Piper Alderman as its strategic advisor to guide the Company on regulatory and licensing approvals in the Australian market
- MMJ secured \$2m of equity financing from a European Institutional Investor in October

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- The Company has a positive outlook for the December 2015 quarter which is expected to be transformational across all three divisions: Duncan MMPR progression, expansion of Satipharm and clinical trials commencing in Israel

MMJ PhytoTech Limited (ASX:MMJ) ("MMJ" or the "Company") today announces its activities report for the quarter ended 30 September 2015.

Corporate

The merger of MMJ Bioscience and PhytoTech Medical closed successfully on 27 July 2015 and the combined entity, MMJ PhytoTech Limited, commenced trading on the ASX after completing a \$4.8mm oversubscribed equity offering on 28 July 2015. The funds raised enabled the Company to accelerate Satipharm's business plan and to complete the necessary upgrades to the Duncan Facility in advance of the pre-licensing inspection by Health Canada expected in November. The Company subsequently changed its name to "MMJ PhytoTech Limited" and its ASX code to "MMJ".

Following the completion of the merger, MMJ announced changes to the Board and leadership designed to better position the Company strategically in line with its post-merger business plan. The Board welcomed Mr. Andreas Gedeon as the Company's Managing Director and Mr. Jason Bednar and Mr. Ross McKay as Non-Executive Directors during the quarter, with Executive Directors, Mr Boaz Wachtel, and Mr Benad Goldwasser stepping down from their positions on the Board of the Company. Together with Peter Wall, Chairman, and Mr. Winton Willesee, Non-Executive Director, the new board is streamlined and balanced with each member contributing a distinct range of skills, contacts and strengths relevant to MMJ's business plan.

The post-merger integration was an exceptionally smooth and quick process. MMJ established three divisions each at crucial points along the 'Farm to Pharm' continuum. The **Cultivation Division** includes the Company's Canadian based MMPR applicants the Duncan Facility and the Lucky Lake Facility operating under the name United Greeneries. The **Pharmaceutical Processing Division** consist of the Swiss-based pharma-grade bulk & packaged compound operations such as the manufacturing and distribution the CBD Capsules. Under the brand Satipharm, there are plans to develop new products and enter into different geographic markets in the near term. Finally, the **Clinical Development Division** which conducts MMJ's Israeli-

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based R&D of pharmaceutical applications and delivery technologies under the name PhytoTech Therapeutics.

Operational

Cultivation Division: Significant progress was made at MMJ's Duncan Facility located near Vancouver, BC, Canada. Extensive security upgrades were completed during the quarter to ensure compliance with Health Canada's evolving security requirements. Under the direction of one of the top MMPR security consultants, the upgrades were thorough and also designed to help save costs going forward. Management is highly confident that the Duncan Facility will pass Health Canada's pre-licensing inspection with very few deficiencies, if any. Subsequent to the end of the quarter all of the upgrades were completed and pre-licensing inspection is expected in mid-November.

Pharmaceutical Processing Division: A significant milestone was passed in the September quarter with Satipharm generating MMJ's first revenues through sales of its CBD Capsules. The Capsules are being marketed to consumers via the newly launched direct sales platform www.Satipharm.com and to potential wholesale clients by a small, specialised sales team. The online direct sales platform was launched late August with a significant digital marketing campaign planned for early September. Management were encouraged by the initial high level of interest in the website and Capsules.

After receiving orders in the first week that exceeded management's expectations, Satipharm was informed that its transaction processor Paypal had suspended its accounts, reversed all transactions and would no longer provide Satipharm with transaction processing services. Finding a solution to this issue became a priority and several MMJ employees and advisors globally were tasked with this job. There appears to currently be a number of viable alternatives available to the Company. As such, it is anticipated that Satipharm.com will recommence accepting credit cards orders shortly.

Despite this, Satipharm generated modest revenues in the September quarter from online buyers transacting using bank transfers. Further, sales via bank transfer grew month over month for October vs September. The digital marketing campaign was postponed to coincide with the

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resumption of credit card orders being operational so these sales were made without any marketing effort.

Sales for the quarter were much lower than management had expected as a result of customers not being able to use Paypal or credit cards to pay for their orders. Management was, however, encouraged by the amount of sales achieved without any marketing or convenient payment options. With a solution to the transaction processing problem imminent, management is confident that Satipharm will be back on track very soon.

Clinical Development: PhytoTech Therapeutics received approval for MMJ's first Phase I Clinical study from all relevant bodies. The study will be conducted in Israeli and will focus on testing the safety and performance of its proprietary oral capsule formulations. Initial stability studies have indicated an extended shelf life of the oral capsule formulation at room temperature, providing the potential to increase market share by lower product costs and increased patient compliance. The Study commenced in late October 2015.

Progress made across all three divisions was significant and further anchored the Company's Farm to Pharma strategy. In the near future there is potential for MMJ to be growing MC in Canada, conducting further trials in Israeli as well as producing multiple compounds in multiple jurisdictions through Satipharm.

Outlook

One month in to the December quarter and already MMJ has commenced an investigation into the Australian MC market after the Federal Government announced its intention to legalise MC in Australia. MMJ reacted quickly to this unexpected catalyst by engaging Australian based legal firm Piper Alderman as a strategic partner to guide the Company on regulatory and licensing approvals in the Australian market. MMJ is well suited as an early player in an Australian MC market given its extensive compliance experience in Canada, its access to capital in Australia and its commitment to aggressive but disciplined growth. As the only Australian listed company with a cannabis cultivation division, MMJ is well positioned to be a leader in the sector however the Australian regulation unfolds.



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Subsequent to the end of the September quarter and after news of the Federal Government moving to legalise MC, MMJ completed a \$2m equity offering with a leading European institutional investor to accelerate its entry in the Australian market.

The Company expects the December quarter to hold a number of crucial value catalysts and the Company is ready to approach each one with vigour. MMJ is expected to be a completely different business by Q1 2016. With the anticipated pre-licensing inspection of Duncan expected before year end, growth of Satipharm operations into new jurisdictions and the completion of the Company's first Phase 1 Clinical Trial, MMJ will continue to expand and accelerate towards becoming a major player in the global medicinal cannabis market.

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For more information please contact

Andreas Gedeon
Managing Director
+1 (250) 713 6302
agedeon@mmj.ca

For media enquiries

Media & Capital Partners
Asher Moses, Director
+61 438 008 616

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.



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Its **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 Yissum, the prestigious Research Development and technology transfer Company of Hebrew University in Jerusalem, Israel, a global leader in medical cannabis research.