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29 January 2016

MMJ PHYTOTECH LIMITED
December 2015 Quarterly Report

Strong Finish to December Quarter and January Notice of Pre-License Inspection Position MMJ for Transformational Year

Highlights

- **Cultivation/Licensing:** Duncan Facility ready for Pre-License Inspection after successful completion of security installations, facility optimizations and internal audits. Subsequent to end of quarter, notice of Duncan Pre-License Inspection was received from Health Canada ("**HC**"). The Pre-License Inspection will take place over three days commencing February 1 and is the final step to receiving a Cultivation License from HC under the Canadian Marihuana for Medical Purposes Regulations ("**MMPR**")

- **Pharmaceutical Processing:** Revenues at Satipharm reached A$246,809 in the quarter from sales of the Company's proprietary CBD Gelpell® Gastro-Resistant Microgel Capsules ("**Capsules**"). The Capsules are now available on www.premiumcbd.co.uk, a dedicated online store managed by leading UK-based supplement distributor Prima Sport ("Prima"). Prima is a highly experienced online supplement marketer with a strong track record and established key relationships in the European supplement sector. With an aggressive sales and marketing plan commencing in the March 2016 Quarter, Satipharm expects strong growth in Capsule sales to continue throughout 2016

- **Research & Development:** MMJ's subsidiary, PhytoTech Therapeutics, commenced the Company's first Phase 1 Clinical Study in late October. The study is focused on testing the safety and performance of the Company's proprietary oral capsule formulations. Upon successful completion of Phase 1 expected in the March 2016 Quarter, Phase 2 Clinical Study will assess the capability of the oral capsule to relieve pain and spasticity related to Multiple Sclerosis ("MS")

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- **Corporate:** MMJ PhytoTech Limited ("**MMJ**" or the "**Company**") moved quickly to engage Australian based legal firm Piper Alderman following the announcement that the Federal Government of Australia intends to legalise Medical Cannabis ("**MC**"). Piper Alderman is acting as MMJ's strategic advisor guiding the Company on regulatory and licensing approvals in the Australian market. This unexpected catalyst has resulted in the development of a preliminary Australian MC strategy and several promising opportunities
- MMJ completed a $2m equity offering with a leading European institutional investor in October

- **Outlook:** The Company expects the March 2016 Quarter to be transformational. Assuming a successful Pre-License Inspection, Duncan may be granted an MMPR Cultivation License within the quarter making MMJ one of 25[(1)] companies legally allowed to produce MC in Canada under the MMPR. This distinction carries significant strategic and fundamental value and will be a pivotal moment for MMJ

MMJ PhytoTech Limited (ASX:MMJ) is pleased to provide its activities report for the quarter ended 31 December 2015.

Operational

Cultivation Division: The Duncan facility is awaiting Pre-License Inspection after completion of final security installations, facility optimizations and other final items. After several iterations of added or modified security installations in response to evolving HC requirements and/or internal decisions, Management is confident that Duncan will surpass the requirements of the MMPR while providing an optimized and efficient workflow for the facility's employees. UG has now shifted focus to readying for the Pre-License Inspection and is conducting training sessions, dry runs and group reviews.

Subsequent to quarter end UG received notification from HC that Duncan's MMPR Pre-License Inspection has been scheduled over a three day period commencing February 1. Pre-License Inspection is the final step to receiving a Cultivation License from HC under the MMPR. This is the single most important milestone passed by UG to date as, to the knowledge of MMJ, every facility that has received Notice of Pre-license Inspection has subsequently been issued an MMPR license. Very few groups have made it this far in the MMPR application process and

[1] Currently there are 23 companies that own 27 licensed producers Canada-wide. 25 assumes that Supreme Pharmaceuticals and MMJ receive MMPR cultivation licenses in the near-term and, together with the existing 23 companies, make up a total of 25 companies legally allowed to produce MC in Canada

MMJ is positioned well to become one of 25[1] companies to be granted an MMPR license Canada-wide. The state-of-the-art Duncan Facility has a potential production capacity of up to 1,000kg / year of dried marihuana.

Pharmaceutical Processing Division: Impressive growth in Capsule sales during the quarter resulted in Satipharm revenues of A$246,809 with total sales to 31 December 2015 being A$264,283. The Capsules are now available on www.premiumcbd.co.uk, a dedicated online store managed by leading UK-based supplement distributor Prima. Satipharm established a relationship with Prima during the quarter with the goal of leveraging the firm's expertise and key relationships in the European supplement sector. The two companies are exploring ways to enhance Capsule sales and hope to develop some actionable strategies in the near-term. Satipharm anticipates continued growth throughout 2016 as it expands its sales efforts through Europe with an aggressive sales and marketing plan commencing in the March 2016 Quarter.

Additionally, Satipharm commenced development of several new cosmetic and dietary products that it intends to market to EU-based customers in 2016. Products currently under development include a facial lotion, a joint balm and a haemorrhoid suppository.

Research & Development Division: PhytoTech Therapeutics commenced the Company's first Phase 1 Clinical Study in the December Quarter. The study is focused on testing the safety and performance of the Company's proprietary pro-nano-lipospheres THC and CBD formulations. The two formulations are intended to increase the oral bioavailability of THC and CBD having poor water solubility and thus limited bioavailability. The Company intends to continue the clinical development of only one of the formulations and will select the formulation which is shown to have the highest performance. The Phase 1 study is a single-centre, randomised, crossover study to compare the safety, tolerability and pharmacokinetics in healthy volunteers of the two oral formulations, when administered as single doses. The study is being performed in Sourasky Medical Clinical Research Center, one of the largest and highly regarded clinical sites in Israel. It has been designed to fulfil all the regulatory requirements needed for the New Drug Application (NDA) to the Food and Drug Administration (FDA).

Upon successful completion of Phase 1 expected in the March 2016 Quarter, the Phase 2 study will assess the drug's capability to relieve pain and spasticity in MS patients in comparison to Sativex®, GW Pharma's leading buccal delivery CBD:THC product for the treatment of muscle spasticity in MS patients.

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Corporate

MMJ 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. Piper Alderman assisted MMJ in conducting an analysis of the Company's current positioning vis-à-vis the Australian MC market and helped to develop a preliminary strategy for entering the market.

The analysis concluded that 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 yet disciplined growth. MMJ began implementing its preliminary strategy towards the end of the quarter and, with Piper Alderman's assistance, is currently evaluating several opportunities in the space. MMJ feels that the Australian MC market represents a significant source of growth and future value for the Company and is excited by the potential opportunities in the space.

Additionally, MMJ completed a successful $2m share placement to a leading European institutional investor in late October.

Outlook

2016 is set to be transformational year for MMJ. Subsequent to the end of the December quarter, MMJ received notice from HC that Duncan's MMPR Pre-License Inspection was scheduled to commence on February 1. Notice of Pre-License Inspection is considered to be the key value catalyst for an MMPR applicant during the licensing process. This is due to the fact that every MMPR applicant that has received Notice of Pre-License Inspection has subsequently been issued an MMPR license. Assuming a successful Pre-License Inspection, Duncan may be granted an MMPR Cultivation License within the quarter making MMJ one of 25[(1)] companies legally allowed to produce MC in Canada under the MMPR. This distinction carries significant strategic and fundamental value and will be a pivotal moment for MMJ. Potential granting of an MMPR license coupled with expected significant developments by other MMJ initiatives position the Company for transformational growth in 2016.

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About MMJ PhytoTech Limited

MMJ PhytoTech Limited is a vertically integrated medical cannabis (MC) company operating globally. The Company aims to commercialise MC and a growing portfolio of sophisticated MC delivery technologies to the rapidly growing international market for legal medical cannabis. The Company operates under three main subsidiaries with operations across the entire Medical Cannabis value chain, encompassing the Company's "Farm to Pharma" strategy.

United Greeneries is MMJ's Canadian-based MC cultivation subsidiary. UG has two facilities with pending MMPR applications, the Duncan Facility on Vancouver Island, BC, and Lucky Lake located in SK. The Company's flagship MMPR applicant is the Duncan Facility which has received notice from Health Canada of a Pre-License Inspection commencing February 1 2016. The Duncan Facility is a state-of-the-art MC cultivation facility with a capacity of up to 1000 KG of dried MC production per year.

Satipharm is the company's pharmaceutical processing subsidiary with global subsidiaries for regional operation (Switzerland, Australia and Canada). Satipharm is involved with the

extraction, refinement & sales of derivative MC products contained in exclusive sophisticated delivery technologies such as special microgel capsules which dramatically increase bioavailability of fat soluble Cannabinoids or a unique new process of creating water soluble solutions from fat soluble cannabinoids.

Through its **PhytoTech Therapeutics** subsidiary in Israel the Company conducts R&D for the larger group and performs clinical trials on various quick-to-market delivery technologies etc.

http://www.mmjphytotech.com.au