

29 July 2016

MMJ PHYTOTECH LIMITED JUNE QUARTERLY ACTIVITIES REPORT

MMJ PhytoTech Limited (ASX: MMJ) (“MMJ” or “the Company”) is pleased to provide its activities report for the quarter ended 30 June 2016.

The June quarter has been a successful and productive period for the Company, with a number of key milestones achieved at both a corporate and operational level. A key highlight of the quarter was the granting of a medical cannabis (“MC”) production licence for the Company’s flagship Duncan Facility in Canada demonstrating continued progress on the Company’s execution of its Farm-to-Pharma strategy.

Highlights:

- **Health Canada grants Marihuana for Medical Purposes Regulations (“MMPR”) production licence for flagship Duncan Production Facility**
- **MMJ is the first Australian-based company to secure a Canadian medical cannabis production licence**
- **MMJ facilitates entry into Australian market, signing two strategic partnerships for the distribution of medical cannabis products**
- **Appointment of two key pharmaceutical professionals to help drive the evolution of the Company’s ‘Farm-to-Pharma’ strategy**
- **MMJ now ready to supply the existing medical cannabis market and future recreational cannabis market in Canada**

Duncan Facility MMPR Licence Granted

On 30 June 2016, the Company announced that its wholly-owned subsidiary United Greeneries (“UG”) had been approved by Health Canada (“HC”) as an authorised Licensed Producer (“LP”) at its flagship Duncan Facility, under the Marihuana for Medical Purposes Regulations (“MMPR”).

The granting of the Duncan MMPR licence is a key catalyst, as it positions MMJ as one of a select number of companies globally with the capacity to commercially cultivate medicinal grade cannabis in a federally regulated system. Furthermore, the facility will provide MMJ with a secure and legal source of pharmaceutical grade MC, and will enable near-term revenues to be generated from the sale of MC within Canada, and potentially via exports to other regulated MC markets, including Australia.

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The Company has invested approximately CAD\$8 million towards the development of a world-class medical cannabis operation at the Duncan Facility, which has a cultivation area of ~10,000ft².

The significance of the Canadian regulatory system is highlighted by the fact that it falls under federal Canadian law, which enables imports and exports across national borders. The Canadian system also enables wide and easy consumer access to MC products and provides the required framework for the large scale commercial production of MC and related extracts.

Strategic Entry into the Australian Market

On 20 April 2016, the Company advised that it had entered into binding Letters of Intent (“LOI”) with two strategic partners to facilitate the Company’s entry into the Australian market.

Fresh Therapeutics Compounding Pharmacy (“Fresh Therapeutics”), a New South Wales based company, has agreed to partner with MMJ to import and develop a dispensary model for Satipharm’s (MMJ wholly-owned subsidiary) existing MC products under the current legal framework in Australia.

The partnership will initially focus on the distribution of Satipharm’s exclusive Gelpell gastro-resistant Microgel capsules, while it also provides significant scope for the joint development of a dispensary network for all future products by MMJ in the evolving legal environment in Australia.

A LOI was also signed with Epilepsy Action Australia to advance the availability, access and acceptance of MC in Australia through research, advocacy and education. This cooperative agreement will aim to drive the education process within the Australian market, and will include clinical research into cannabis-based treatment options for epilepsy.

Epilepsy Action Australia is a leading advocacy group for epileptic patients and their families in Australia with a membership of over 100,000 Australia wide. This partnership will support MMJ to leverage its position as an industry leader in the Australian MC field and to participate in regulatory discussions where appropriate.

Appointment of Key Pharmaceutical Professionals

On 14 June 2016, the Company announced that it had significantly strengthened its senior management team and advisory personnel with the appointment of Stanislav Sologubov as Chief Executive Officer of Satipharm Switzerland and John Hollister as a pharmaceutical consultant.

These appointments are viewed as key to supporting MMJ’s ongoing evolution towards becoming a leading player in the global MC pharmaceutical market.

Sologubov is an international sales and marketing executive with more than 15 years’ experience working with numerous international healthcare companies, including Johnson & Johnson and Bausch + Lomb.

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In his role as CEO, Sologubov will be focused on driving the growth and sales of Satipharm's MC consumer health products throughout regulated markets in Europe, with a view to establishing multiple-product revenue streams in the near-term.

Hollister is a healthcare and pharmaceutical industry executive with more than 25 years' experience working for large pharmaceutical, biotechnology and medical device companies. Hollister has an extensive track record, having worked in all aspects of commercialisation in the healthcare industry, and recently served as CEO at US-based biopharmaceutical company Nemus Bioscience Inc.

Post quarter end, MMJ announced the appointment of Richard Jarvis as Chief Financial Officer. Richard will provide the Company with valuable support and guidance navigating the complexities around operating a multi-jurisdictional business model.

Canadian Recreational Market Opportunity

Another noteworthy development during the quarter was Health Canada's decision to instate a specialist Task Force ("Task Force") focused on Marijuana Legalisation and Regulation.

Importantly for MMJ and its shareholders, the requirements for consumer protection and product quality control in the new system are expected to be similar in structure to the existing MMPR framework.

The Canadian recreational cannabis market is estimated to have a value of circa CAD\$5 billion per annum, and it is expected that existing licensed producers under the MMPR will have a significant first-mover advantage as early stage suppliers.

The Task Force will consult with key stakeholders including government bodies, industry representatives and members of the community to provide advice on the design and implementation of new legislative and regulatory framework. The Canadian government has committed to the introduction of the new regulatory system by Northern hemisphere Spring 2017, with full implementation earmarked soon thereafter.

Corporate Overview

The significant progress made during the June quarter demonstrates the Company's commitment to executing its 'Farm-to-Pharma' strategy, as a leader in the emerging global cannabis market.

Importantly, the Duncan facility licensing enables MMJ to bolster its supply chain of medical grade cannabis for production and distribution. A stable supply chain enables MMJ to be a first mover into a number of potential international markets as MC legislation continues to evolve, providing strategic exposure to a fast growing global industry.

Management Commentary

MMJ's Managing Director, Andreas Gedeon, commented: "The Company is very pleased with the level of progress achieved during the June quarter, both from an operational and a corporate perspective.

We have now delivered a number of the key de-risking milestones, including a federal cannabis production licence in Canada, a clinical grade product with revenue in the European market, and a successfully completed pharmaceutical Phase One trial in Israel.

With a robust foundation now in place, MMJ remains firmly committed to fast-tracking our expansion plans, while at the same time solidifying the group's corporate structure. Our strengthened management team brings significant expertise and experience to the Company, and will enable MMJ to grow in the most efficient and professional way possible.

I want to thank our shareholders for their continued support, and would like to ensure the Company will continue to work diligently to deliver further near-term milestones in what is an exciting period for all MMJ shareholders."

– ENDS –

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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.

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.

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

MMJ PHYTOTECH LIMITED

ABN

91 601 236 417

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current Quarter \$A'000	Year to Date (12 months) \$A'000
1.1 Receipts from customers	-	266
1.2 Payments for (a) staff costs	(428)	(2,022)
(b) advertising and marketing	-	(398)
(c) research and development	(30)	(501)
(d) leased assets	(49)	(150)
(e) other working capital	(744)	(3,910)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	31
1.5 Interest and other costs of finance paid	(12)	(54)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(1,330)	(6,812)

+ See chapter 19 for defined terms.

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

	Current Quarter \$A'000	Year to Date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,330)	(6,812)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	(209)
(c) intellectual property	(9)	(25)
(d) physical non-current assets	(363)	(3,008)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(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	-	(95)
1.12 Loans repaid by other entities	-	-
1.13 Other (proceeds from sale of debenture in pre-merger MMJ Bioscience Inc)	-	289
Net investing cash flows	(372)	(3,048)
1.14 Total operating and investing cash flows	(1,702)	(9,860)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	11,800
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(30)	(123)
1.19 Dividends paid	-	-
1.20 Other (capital raising costs)	-	(720)
Net financing cash flows	(30)	10,957
Net increase (decrease) in cash held	(1,732)	1,097
1.21 Cash at beginning of quarter/year to date	4,739	1,910
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	3,007	3,007

+ 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	251
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

The amount shown at item 1.2 includes director's fees and executive remuneration for all directors and key management personnel across the Group, as well as fees paid to director-related entities for legal, company secretarial, accounting and office administration services.

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

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

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	-	-

+ See chapter 19 for defined terms.

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

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	2,921	4,654
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (term deposits)	86	85
Total: cash at end of quarter (item 1.23)	3,007	4,739

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 ~~not~~* give a true and fair view of the matters disclosed.

Sign here:  Date: 29 July 2016
 (Director/Company secretary)

Print name: Erlyn Dale

+ 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.

+ See chapter 19 for defined terms.