

## MMJ PHYTOTECH LIMITED March 2016 Quarterly Report

### *Strongest Quarter to Date with Significant Developments at All Business Units*

#### Highlights

- MMPR pre-license inspection completed at Duncan Facility
- Lucky Lake MMPR license application now at Security Clearance stage after Health Canada advances it twice in under 30 days
- MMJ intends to be first mover in Australian MC market importing existing Satipharm MC products under existing legislation; Marks entrance into Australia with two strategic partnerships
- Completed Phase 1 Clinical Trials demonstrate exclusive Satipharm Gelpell CBD Capsules significantly outperform commercially available Sativex®; Worldwide exclusive rights for use of Gelpell with MC-based pharmaceuticals secured

#### *Cultivation/Licensing*

The Marihuana for Medical Purposes Regulations (MMPR) Pre-Licence inspection of United Greeneries' (UG) Duncan Facility was completed on 3<sup>rd</sup> February 2016. Completion of Duncan's Pre-Licence Inspection is the most important milestone passed by the Company to date because, to the Company's knowledge, every MMPR Pre-Licence inspection previously conducted by Health Canada has subsequently resulted in the issuance of a licence. As UG waits for a response from Health Canada the Company has been preparing for efficient pre-production and ramp-up phases in order to move quickly upon licensing. MMJ expects to receive an MMPR licence to cultivate at Duncan in due course.

Additionally, the MMPR licence application of UG's Saskatchewan-based Lucky Lake Facility advanced to the Enhanced Screening Stage towards the end of the March quarter. Given the large scale of this facility, this is a significant development for MMJ particularly in light of the Federal Government of Canada's announced plan to legalise recreational cannabis in 2017. Upon approval of its MMPR Licensed Producer application, the Lucky Lake facility will be integrated with the Duncan facility, significantly expanding the Company's total production capacity. Lucky Lake has a prospective production capacity of ~12,000kg/year of MC and sits on 18 acres of land suitable for low-cost greenhouse expansion.

Subsequent to the end of the March quarter, UG was notified by Health Canada that Lucky Lake's pending MMPR application had progressed again to the Security Clearance Stage. The rapid progression of the application is a very positive sign and a trend that UG believes will continue. All Key Personal in the submitted Lucky Lake application have existing security clearances from the Duncan application. As such, the Company believes the application will be advanced to the Review stage very rapidly.

#### *Corporate*

In late February the Turnbull Government's medical cannabis legislation was passed in parliament effectively clearing the way for medical legalisation in Australia. This was a strong positive for MMJ's strategic entry into the Australian market as it defined a legal pathway for the domestic cultivation, refinement and manufacturing of medical cannabis products for the first time.

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In early March MMJ raised \$5m via an equity placement to institutional investors. The funds were raised, in part, to accelerate the Company's entry into the Australian market, fund PhytoTech Therapeutics planned Phase 2 clinical study and for the working capital associated with bringing the Duncan Facility into production.

Subsequent to quarter end MMJ announced its entry into the Australian MC market with two key strategic partnerships. An LOI was signed with Fresh Therapeutics Compounding Pharmacy to facilitate the importation and dispensation of existing MMJ MC-based products in Australia under existing legislation. This will position MMJ as a first mover in the Australian MC market and provide the company a significant head start and competitive advantage. This relationship allows MMJ to utilise established distribution channels and also allows scope for the joint development of a dispensary network for all future products produced by MMJ. A second LOI with Epilepsy Action Australia was also signed to advance the availability, access and acceptance of medical cannabis in Australia through research, advocacy and education.

### ***Research & Development***

PhytoTech Therapeutics, announced the successful results of the Company's first Phase 1 Clinical Study during the quarter. The trial was focused on the study of two of the Company's THC:CBD Pro-Nano-Lipospheres (PNL) oral capsules licensed from Yissum and MMJ's exclusive Gelpell® CBD capsules in 10mg and 100mg doses. The study was designed to assess the safety of the four capsules and their performance in comparison to Sativex®, the commercially available Oromucosal spray produced by GW Pharmaceuticals. The trials showed a demonstrable safety and tolerability profile with no significant side effects and higher bioavailability in comparison to Sativex® for all four capsules. Further, Satipharm's exclusive Gelpell® CBD capsules demonstrated the highest bioavailability, significantly outperforming Sativex® and with a more desirable CBD blood plasma profile. Phase 2 Clinical Study will assess the capability of the oral capsules to relieve pain and spasticity related to Multiple Sclerosis ("MS") and will commence in the second half of 2016. In addition to this first product, the Company is planning to develop a variety of MC prescription drugs for several clinical indications using its oral formulations.

### ***Pharmaceutical Processing***

The potential impact of the successful Phase I clinical trials on Satipharm Gelpell® CBD capsules is significant. On top of the potential for development of prescription drugs, the successful trial opens up several opportunities in medical cannabis markets such as Canada, Australia and Israel. Satipharm already announced intention to form a partnership that will import capsules into Australia and is investigating similar opportunities in Canada and Israel.

### ***Outlook***

The Company expects the June 2016 quarter and the remainder of 2016 to be fast paced and growth-oriented. Several existing strategies are expected to manifest while new opportunities will be quickly developed in existing markets and internationally as legislative change continues to gain momentum on a global basis.

***Ends***

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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-Licence Inspection which commenced February 1 2016. The Company is currently waiting on a result from Health Canada. 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>

# 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")

31 March 2016

### Consolidated statement of cash flows

Cash flows related to operating activities	Current Quarter \$A'000	Year to Date (9 months) \$A'000
1.1 Receipts from customers	89	266
1.2 Payments for (a) staff costs	(548)	(1,584)
(b) advertising and marketing	(125)	(398)
(c) research and development	(99)	(471)
(d) leased assets	(37)	(101)
(e) other working capital	(393)	(3,175)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	24
1.5 Interest and other costs of finance paid	(12)	(42)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net operating cash flows</b>	<b>(1,119)</b>	<b>(5,481)</b>

+ 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 (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,119)	(5,481)
<b>1.9 Cash flows related to investing activities</b>		
Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	(209)
(c) intellectual property	(10)	(16)
(d) physical non-current assets	(582)	(2,661)
(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	(9)	(80)
1.12 Loans repaid by other entities	-	-
1.13 Other (proceeds from sale of debenture in pre-merger MMJ Bioscience Inc)	-	289
<b>Net investing cash flows</b>	<b>(601)</b>	<b>(2,677)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(1,720)</b>	<b>(8,158)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	5,000	11,800
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(23)	(93)
1.19 Dividends paid	-	-
1.20 Other (capital raising costs)	(396)	(720)
<b>Net financing cash flows</b>	<b>4,581</b>	<b>10,987</b>
<b>Net increase (decrease) in cash held</b>	<b>2,862</b>	<b>2,829</b>
1.21 Cash at beginning of quarter/year to date	1,877	1,910
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	<b>4,739</b>	<b>4,739</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	286
1.25	Aggregate amount of loans to the parties included in item 1.11	9

1.26 Explanation necessary for an understanding of the transactions

During the current quarter, directors of the parent company received cash payments of \$96,143 and directors of its subsidiaries received cash payments totalling \$71,452 for management and director services.

The remaining amounts relate to payments to director-related entities for manufacturing, legal, company secretarial, accounting and office administration services.

Loans to director-related entities were advanced to an entity related to Managing Director, Andreas Gedeon.

**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	-	-

+ 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	4,654	1,794
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (term deposits)	85	83
<b>Total: cash at end of quarter (item 1.23)</b>	<b>4,739</b>	<b>1,877</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		

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+ See chapter 19 for defined terms.

## 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 April 2016  
(Director/Company secretary)

Print name: Erlyn Dale

## 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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