

MMJ PhytoTech Limited

ABN 91 601 236 417

Annual Report - 30 June 2018

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Directors	Peter Wall (Non-executive Chairman) Winton Willesee (Non-executive Director) Doug Halley (Non-executive Director)
Chief Executive Officer	Jason Conroy
Chief Financial Officer and Company Secretary	Jim Hallam
Registered office and principal place of business	Suite 518, Level 5, 165-167 Phillip Street, Sydney NSW 2000 Telephone: +61 2 8098 0819 Facsimile: +61 2 8080 8315
Share register	Automic Registry Services Level 2 267 St Georges Terrace Perth WA 6000 Telephone: +61 1300 288 664
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
Stock exchange listing	MMJ PhytoTech Limited securities are listed on the Australian Securities Exchange (ASX code: MMJ).
Website	www.mmjphytotech.com.au

The annual general meeting of MMJ PhytoTech Limited will be held at:

Venue: The Mint, 10 Macquarie Street, Sydney NSW 2000

Time: 2.30pm

Date: 20 November 2018

Nominations of persons intending to propose his or her nomination as a director of MMJ PhytoTech Limited have to be lodged at the Registered office by 2 October 2018.

Dear Shareholders,

The 2018 financial year was a significant year of transformation for MMJ.

With MMJ shareholder approval on 28 September 2018, the company will complete its transformation from being an owner-operator of Harvest One and PhytoTech Therapeutics into a Listed Investment Company ("LIC"), owning minority stakes in Harvest One and eight (8) other businesses within an investment portfolio as a global cannabis investment company, with the new name "MMJ Group Holdings Limited".

The Board made the important decision to change the company into a LIC so that it could directly leverage the skills and capabilities of the Board and management team in the best way possible to optimise risk-adjusted returns over both the short and long term. By holding a number of minority investments in what is a global, emerging and rapidly growing sector, MMJ is now well-placed to respond to, and capitalise on, significant changes as the sector expands then matures and ultimately consolidates through mergers and acquisitions activity.

Consistent with this renewed focus, the Board recruited a new Chief Executive, Jason Conroy, in February 2018 to lead this change. He has since been very active on the investment front and has expanded our portfolio and network of global cannabis community relationships in a relatively short period of time. In April 2018 he recruited an experienced CFO, Jim Hallam. The Board believes that our new executive team has the focus, skills and desire to drive higher shareholder returns through 2019 and beyond.

Whilst the Board has been disappointed by MMJ's share price performance through the course of this calendar year, largely reflecting a similar decline in the share price of our largest investment (by value of invested capital), Harvest One, we are very excited by the outlook of the company as all of its investments, most of which were made in the past six months, are well positioned to participate in the significant growth expected in each of their market segments. Notably, and most importantly, Harvest One is in the early stages of a turnaround with the recent appointment of their new Chief Executive, Grant Froese, in July 2018.

Key measures of future performance for MMJ will be our share price, net tangible assets ("NTA") per share, along with the multiple on invested capital, or "MOIC", that we can achieve from our investment portfolio. We are focused on generating a 2-3x portfolio MOIC over the next 12 months and, if we can achieve that, it will be a strong performance for our shareholders.

I would like to take this opportunity to thank our shareholders for their support over the past 12 months. The Board appreciates your loyalty and support and we remain committed to delivering value for all shareholders.

Finally, I also want to thank our new executive team for their focus and effort in completing the heavy lifting required to transform MMJ into a LIC with an exciting future.

Yours Sincerely,



Peter Wall
Chairman

Investment Portfolio (as per 14 September 2018 Investor Presentation)

Table One

<i>Unaudited figures</i>	Country	Cannabis business	Invested Capital AUD\$m	Market Value AUD\$m*	MOIC (unrealised)
Harvest One (TSXV:HVT)	Canada	Conglomerate	27.9	51.9	1.9x
MediPharm Labs	Canada	Oil production	5.1	5.4	1.1x
Weed Me	Canada	Cultivation	2.0	5.2	2.6x
Fire & Flower	Canada	Retail stores	1.0	1.7	1.7x
BevCanna	Canada	Beverages	0.8	1.3	1.7x
Bien	Canada	Powders	0.7	0.7	1.0x
Embark Health	Canada	Extraction	0.2	0.2	1.0x
Cannabis Access	Australia	Clinics	1.0	1.0	1.0x
Martha Jane Medical	Australia	Extraction	0.6	0.6	1.0x
PhytoTech Therapeutics**	Israel	R&D	4.7	8.6	1.8x
Total			44.0	76.6	1.7x

*Market value is based on recent closing share prices for public companies and most recent funding round valuations for private companies (CAD: AUD\$1.07). **Sold by MMJ to Harvest One, subject to MMJ shareholder approval. "MOIC" is multiple on invested capital (pre-tax and transaction costs).

Brief description of each investment

- Harvest One Cannabis Inc (TSXV:HVT): Canadian cannabis cultivation and products company;
- MediPharm Labs Inc: Canadian medical cannabis oil production facility;
- Weed Me Inc: Canadian cannabis cultivation company;
- Fire & Flower Inc: Canadian corporate retail cannabis store chain;
- BevCanna Enterprises Inc: Canadian fully premium-based cannabis infused beverage manufacturer;
- Bien Ventures Ltd: Canadian intellectual property and manufacturing company;
- Embark Health Inc: Canadian company aiming to build a state-of-the-art THC, CBD, and CBG extraction facility to service Canada's medical and recreational cannabis markets;
- Cannabis Access: Australia's leading online portal and clinics for medical cannabis access;
- Martha Jane Medical Limited: Australian holder of a medical cannabis licence and progressing applications for other classes of Australian cannabis licences; and
- PhytoTech Therapeutics Ltd: Israeli company focused on developing and commercialising cannabis-based therapeutics products (using unique oral delivery technologies under licenses that have the potential to deliver safe, effective and measured doses of cannabis derived ingredients to patients) and in conducting research & development and clinical development activities. To be sold by MMJ to Harvest One, subject to MMJ shareholder approval on 28 September 2018 and regulatory approvals.

Table two

Portfolio outlook

Investment	Outlook for the rest of 2018
Harvest One	<ul style="list-style-type: none"> Refer to the Harvest One Investor Presentation released by MMJ to the ASX on 28 August 2018 Complete the acquisition of PhytoTech Therapeutics from MMJ, subject to MMJ shareholder approval on 28 September 2018 New CEO expected by MMJ to use the strong balance sheet (circa CAD\$58m of cash, no debt) to turnaround Harvest One and grow
MediPharm Labs	<ul style="list-style-type: none"> List on the TSXV in September 2018 with the code "LABS" Build out the capacity of their cannabis oil manufacturing facility Receive a Sales Licence later this year
Weed Me	Build out their cannabis cultivation facility subject to receiving a Sales Licence (application in process) and future funding
Fire & Flower	Open retail cannabis stores subject to obtaining provincial licenses (applications are in process), in Alberta and Saskatchewan in October, corresponding with the legalisation of recreational cannabis in Canada

BevCanna	Build their cannabis beverages manufacturing facility subject to becoming an ACMPR Licensed Producer (application in process) and future funding
Bien	<ul style="list-style-type: none"> • Continue IP development of their CBD and THC powder products • Submit an ACMPR Licensed Producer application to Health Canada in compliance with the expected future requirements for a Standard Processing licence

Investment	Outlook for the rest of 2018
Embark Health	<ul style="list-style-type: none"> • Build their cannabis product manufacturing facility subject to becoming a Licensed Dealer (application in process) and future funding
Cannabis Access	<ul style="list-style-type: none"> • Open Cannabis Access Clinics in Brisbane, Adelaide and Perth (current clinics are in Sydney and Melbourne)
Martha Jane Medical	Build their cannabis extracts business subject to obtaining a manufacturing licence (application in process) and future funding

Board/Management changes

In February 2018 Jason Conroy was appointed Chief Executive Officer of MMJ effective from 26 February 2018 with Andreas Gedeon retiring as Managing Director and CEO of MMJ on the same date.

Other key management changes during the period which reflected the change in focus to investment entity were:

- PhytoTech's Chief Executive Officer, Dr Daphna Heffetz resigned effective 31 December 2017.
- Doug Halley was appointed a non-executive director on 13 March 2018.
- Jason Bednar resigned as non-executive director of MMJ on 16 March 2018.
- Jim Hallam was appointed Chief Financial Officer on 3 April 2018.
- MMJ's Chief Operating Officer's position held by Catherine Harvey was made redundant with effect on 13 August 2018.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of MMJ PhytoTech Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

The following persons were directors of MMJ PhytoTech Limited during the financial year and up to the date of this report, unless otherwise stated:

Peter Wall (Non-Executive Chairman)
Winton Willesee (Non-Executive Director)
Doug Halley (Non-Executive Director) (Appointed 16 March 2018)
Andreas Gedeon (Managing Director) (Resigned 26 February 2018)
Jason Bednar (Non-Executive Director) (Resigned 16 March 2018)

Principal activities

MMJ was incorporated on 14 August 2014 and admitted to the official list of the ASX on 22 January 2015. Since listing until late last year, MMJ's strategy had focused on establishing a vertically integrated "Farm to Pharma" business model, building operations across all parts of the cannabis supply chain, including growing operations, development of cannabinoids-based drug-products, production and commercialisation of medical cannabis products and distribution in regulated markets worldwide.

On 10 October 2017, MMJ first announced its intention to begin shifting its operational focus toward that of a global cannabis investment company, targeting the full range of emerging cannabis-related sectors including healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment, research & development, hemp food products and retail.

As of 1 April 2018, for financial reporting purposes, MMJ's focus and strategies were transformed to that of an investment company with a focus on a diversified portfolio of cannabis sector investments for returns from capital appreciation, investment income, or both. The Company measures and evaluates the performance of substantially all of its investments on fair value basis.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$5,144,000 (30 June 2017: loss of \$12,725,000).

A detailed review of Company's operations during the financial year is included preceding this Director's Report.

Significant changes in the state of affairs

Since listing until late 2017, MMJ's strategy had focused on establishing a vertically integrated "Farm to Pharma" business model, building operations across all parts of the cannabis supply chain, including growing operations, development of cannabinoids-based drug-products, production and commercialisation of medical cannabis products and distribution in regulated markets worldwide.

On 10 October 2017, MMJ first announced its intention to begin shifting its operational focus toward that of a global cannabis investment company, targeting the full range of emerging cannabis-related sectors including healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment, research & development, hemp food products and retail.

In early 2018, Harvest One completed a capital raising on 31 January 2018 and announced a mandatory conversion of all outstanding debentures on 26 February 2018, resulting in MMJ's shareholding being diluted to approximately 36% of HV1's total outstanding shares. Concurrently on 26 February 2018, Andreas Gedeon resigned as Managing Director of MMJ but retained his directorship of Harvest One. Management concluded these events resulted in the loss of control of Harvest One as MMJ no longer has majority ownership or majority representation on the Board of Harvest One. Management have adopted 28 February 2018 as the loss of control date of Harvest One.

MMJ's interest in Harvest One from 28 February 2018, has been equity accounted up to 1 April 2018 at which point MMJ was classified as an Investment Entity for financial reporting purposes. Therefore, from 1 April 2018, MMJ's interest in Harvest One has been accounted for as a financial asset held for trading.

Management have further assessed that the loss of control of Harvest One is not a discontinued operation on the basis that the Company continues to hold cannabis sector investments, including Harvest One, and is actively investing in the cannabis sector. MMJ still retains its interest in PTL at 30 June 2018 until all conditions precedent to sale are completed. MMJ's investment in PTL is carried as a financial asset – held for trading after deconsolidation as a result of MMJ being classified as an Investment Entity.

As at July 2018 MMJ's shareholding was diluted to approximately 30.2% of Harvest One's total outstanding shares.

The principal continuing activities of the consolidated entity consisted of a global cannabis investment company with a portfolio of minority investments, rather than having control over its investments.

Subject to Shareholder approval being obtained on 28 September 2018, the Company intends to change its name to "MMJ Group Holdings Limited".

The Company considers this will better reflect its activities and strategy as an Investment Entity.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 16 July 2018, the consolidated entity announced that it has invested CAD\$0.15 million for a 2.5% shareholding in privately-held Embark Health Inc as part of their CAD\$1 million seed funding round.

On 15 August 2018, the consolidated entity invested an additional CAD\$0.25 million in privately-held BevCanna as part of their CAD\$4 million funding round.

On 29 August 2018 the Company issued a notice of meeting to hold a meeting of shareholders to approve:

- a) The sale of PTL to Harvest One Cannabis
- b) The relisting of the Company as an investment entity as defined in the ASX Listing Rules (Investment Entity) and this constitutes a change in the nature of the Company's activities pursuant to ASX Listing Rule 11.1 whereby an "Investment Entity" is one whose principal activities relate to investing in listed or unlisted securities and whose objectives do not include exercising control over or managing any entity, or the business of any entity, in which it invests.
- c) The change of the name of the Company to "MMJ Group Holdings Limited."
- d) The Company issuing 1,000,000 Options to Douglas Halley who is a director of the Company

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The operations of the Group are not subject to any particular and significant environmental regulations under a law of the Commonwealth or state. There have been no known significant breaches of any other environmental requirement.

Information on directors

Name:	Peter Wall
Title:	Non-Executive Chairman
Qualifications:	LLB BComm MAppFin FFin
Experience and expertise:	Mr Wall is a corporate lawyer and has been a Partner at Steinepreis Paganin (Perth based corporate law firm) since July 2005. Mr Wall graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA.
Other current directorships:	Mr Wall has a wide range of experience in all forms of commercial and corporate law, with a particular focus on medical cannabis, resources (hard rock and oil/gas), equity capital markets and mergers and acquisitions. He also has significant experience in dealing in cross border transactions. Non-Executive Chairman of Minbos Resources Ltd (appointed 21 February 2014) Non-Executive Chairman of MyFiziq Ltd (appointed 25 May 2015) Non-Executive Chairman of Transcendence Technologies Limited (appointed 6 October 2015) Non-Executive Chairman of Sky & Space Global Ltd (appointed 27 October 2015) Non-Executive Chairman of Pursuit Minerals Limited (previously Burrabulla Corporation Limited) (appointed 13 January 2016) Non-Executive Chairman of Bronson Group Ltd (appointed 2 June 2017) Non-Executive Chairman of Argent Minerals Ltd (appointed 23 April 2018)
Former directorships (last 3 years):	Brainchip Holdings Ltd (resigned 3 August 2015) TV2U International Limited (resigned 9 February 2016) Cossack Investments Pty Ltd (resigned 11 March 2016) Zinc of Ireland NL (resigned 21 July 2016) Ookami Limited (resigned January 2018) Activistic Ltd (resigned 23 April 2018) Zyber Holdings Limited (resigned 22 January 2018)
Interests in shares:	8,600,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name: Winton Willesee
Title: Independent Non-executive Director
Qualifications: BBus., DipEd., PGDipBus., MCom., FFin, CPA, GAICD, FGIS/FCIS
Experience and expertise: Mr Willesee is an experienced company director. Winton brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects.

Mr Willesee holds formal qualifications in economics, finance, accounting, education and governance. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors, a Member of CPA Australia and a Fellow of the Governance Institute of Australia/Chartered Secretary.

Other current directorships: Non-Executive Director Nanollose Limited (ASX: NC6)
Executive Chairman of xTV Networks Ltd (ASX:XTV)

Former directorships (last 3 years): Chairman of Metallum Ltd (now Kopore Metals Limited (ASX: KMT) (Resigned on 8 November 2017)
Chairman of Ding Sheng Xin Finance Co Limited (ASX:DXF) (delisted 15 May 2018)
Non-Executive Chairman of Birimian Ltd (ASX: BGS)(resigned 22 March 2017)
Non-Executive Director of DroneShield Limited (ASX:DRO)(resigned 24 Jan 2017)
Executive Chairman Cove Resources Ltd (now BidEnergy Limited)(ASX:BID) (resigned 1 Jul 2016)
Non-Executive Chairman of Basper Ltd (now Wiser Limited ASX:WZR)) (resigned 3 Jul 2015)

Interests in shares: 1,500,000 fully paid ordinary shares
Interests in options: Nil
Interests in rights: Nil

Name: Doug Halley
Title: Non-Executive Director (appointed 16 March 2018)
Qualification: BCom (UNSW), MBA (UNSW), FAICD
Experience and expertise: Doug Halley is an experienced company director and has also served for 30 years as CFO or CEO in a number of significant and successful (mostly publicly-listed) commercial enterprises and investment banks.

His executive experience had a heavy emphasis in corporate strategy, treasury, financial management, M&A and business development.

As a professional director Doug has developed risk management and governance expertise. He has a strong background in IPO and start-ups and a reputation for innovation, perseverance and achieving solutions and results.

Other current directorships: Nil
Former directorships (last 3 years): Vocation Limited (resigned December 2015)
Duet Investment Holdings Ltd, DUET Company Limited, and DMC1 Limited (resigned May 2017)

Interests in shares: 30,000 fully paid ordinary shares
Interests in options: 1,000,000 options subject to shareholder approval being sought on 28 September 2018
Interests in rights: Nil

Name: Andreas Gedeon
Title: Managing Director (Resigned 26 February 2018)
Qualifications: Dipl. Paed
Experience and expertise: Mr. Gedeon, a former Officer in the German Navy, holds a degree in Educational Science from the University of the Federal Armed Forces Munich. He is an experienced business man with proven expertise in large-scale and HR intensive projects. His previous areas of business include media production, horticulture and commercial construction.

Other current directorships: Nil
Former directorships (last 3 years): Non-Executive Director: Harvest One Cannabis Inc (TSX-V: HVST) - (resigned 3 July 2018)

Name: Jason Bednar
Title: Independent Non-Executive Director (resigned 16 March 2018)
Qualifications: BCom, CA
Experience and expertise: Mr. Bednar is a Chartered Accountant with more than 18 years of direct professional experience in the financial and regulatory management of companies listed on the Toronto Stock Exchange, TSX Venture Exchange, American Stock Exchange and ASX. He is currently the CFO and director of Canacol Energy Ltd., a Colombian focused oil and gas exploration and production company with an enterprise value of approximately US\$650 million. Mr. Bednar has been the past CFO of several international oil and gas E&P companies, most notably the founding Chief Financial Officer of Pan Orient Energy Corp, a South East Asia exploration company, who during his tenure grew organically to operate 15,000 bbl/d and a market cap of \$700 million. He has previously sat on the board of directors of several internationally focused E&P companies, including being the past Chairman of Gallic Energy Ltd.

Other current directorships: Non-Executive Director: Harvest One Cannabis Inc (TSX-V: HVST)
Former directorships (last 3 years): Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Information on Company Secretary

Jim Hallam

Company Secretary and Chief Financial Officer (appointed as Company Secretary on 22 June 2018)
BEC, ACIS/ACSA

Jim has 20 years of experience in the investment management industry with alternative asset fund managers in Australia and overseas including Hastings Funds Management and Annuity Australia. Jim's roles include acting as responsible manager, investment manager and CFO within alternative asset fund managers.

He has a Bachelor of Commerce (Economics), is a member of the Chartered Accountants Australia and New Zealand and a Fellow of the Governance Institute of Australia.

Erlyn Dale

Company Secretary (resigned 25 August 2018)
BCom, ACIS/ACSA

Miss Dale has a broad range of experience in company administration and corporate governance and holds positions of non-executive director and/or company secretary for a number of ASX listed public companies across a range of industries.

Miss Dale has completed a Bachelor of Commerce (Accounting and Finance) and a Graduate Diploma of Applied Corporate Governance and is an Associate Member of both the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Board Meetings		Remuneration Committee	Remuneration Committee	Audit and Risk Committee	
	Number of meetings Eligible to Attend	Number Attended	Attended	Held	Number of meetings Eligible to Attend	Number Attended
Peter Wall	4	4	-	-	2	2
Winton Willesee	4	4	-	-	2	1
Doug Halley	1	1	-	-	-	-
Andreas Gedeon	1	1	-	-	-	-
Jason Bednar	3	3	-	-	2	2

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

For the purposes of this Remuneration Report, Key Management Personnel includes the following directors and senior executives who were engaged by the Company at any time during the period ended 30 June 2018:

(i) Non-Executive Directors

Peter Wall Non-executive Chairman (appointed 14 August 2014)

Winton Willesee Non-executive Director (appointed 21 October 2014)

Doug Halley Non-executive Director (appointed 16 March 2018)

Jason Bednar Non-executive Director (appointed 27 July 2015, resigned 16 March 2018)

(ii) Executive Directors

Andreas Gedeon Managing Director of MMJ PhytoTech Limited (resigned 26 February 2018) and Harvest One Cannabis Inc (ceased to be a key management personnel on 28 February 2018 – date of deconsolidation of Harvest One)

(iii) Key Management Personnel

Jason Conroy CEO – MMJ PhytoTech Limited (appointed 26 February 2018)

Jim Hallam CFO – MMJ PhytoTech Limited (appointed 3 April 2018)

Daphna Heffetz CEO – PhytoTech Therapeutics Ltd (resigned 31 December 2017)

Stanislav Sologubov CEO – Satipharm AG (ceased to be a key management personnel on 28 February 2018 – date of deconsolidation of Harvest One)

Catherine Harvey Group COO (resigned 13 July 2018)

Lisa Dea Group CFO - Harvest One Cannabis Inc (resigned as CFO, MMJ PhytoTech Limited on 28 March 2018)

Graham Whitmarsh COO - Harvest One Cannabis Inc (resigned 15 January 2018)

Nick Maltchev CTO - Harvest One Cannabis Inc (ceased to be a key management personnel on 28 February 2018 – date of deconsolidation of Harvest One)

Daniela Vaschi CEO – United Greeneries (ceased to be a key management personnel on 28 February 2018 – date of deconsolidation of Harvest One)

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally.

The principles underpinning the consolidated entity's remuneration policy are that:

- Reward reflects the competitive global market in which we operate;
- Rewards to executives are linked to creating value for shareholders;
- Remuneration arrangements are equitable and facilitate the development of senior management across the consolidated entity; and
- Where appropriate, senior managers may receive a component of their remuneration in appropriately structured equity securities to align their interests with those of the shareholders.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The maximum aggregate remuneration approved for Non-Executive Directors is currently \$500,000.

It is recognised that Non-Executive Directors' remuneration is ideally structured to exclude equity-based remuneration. However, whilst the Company remains small and the full Board, including the Non-Executive Directors, are included in the operations of the Company more closely than may be the case with larger companies the Non-Executive Directors are entitled to participate in equity-based remuneration schemes subject to shareholder approval.

All Directors are entitled to have their indemnity insurance paid by the Company.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The Company's remuneration policy for executive Directors and senior management is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration which is market related, and may be entitled to performance based remuneration at the ultimate discretion of the Board.

Overall remuneration policies provide a framework and quantum scale for remuneration whilst being subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is deemed by the Board to be in the interests of the Company and shareholders to do so.

Executive remuneration and other terms of employment are reviewed regularly by the Board having regard to performance, relevant comparative information and expert advice.

The Company's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company.

The executive remuneration and reward framework has four components:

- salary - executive Directors and senior managers receive a sum payable monthly in cash;
- bonus - executive Directors and certain senior managers are eligible to participate in a bonus or profit participation plan if deemed appropriate;
- long term incentives - Executive Directors may participate in share option/performance right schemes with the prior approval of shareholders. Other senior executives may also participate in employee share option/performance right schemes at the discretion of the Board; and
- other benefits - Executive Directors and senior managers are eligible to participate in superannuation schemes and other appropriate additional benefits.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors. Executive Directors may participate in share option/performance right schemes with the prior approval of shareholders. Other senior executives may also participate in employee share option/performance right schemes at the discretion of the Board.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board. Refer to the section below for details of the earnings and total shareholders return for the last four years.

The earnings of the consolidated entity for the four years to 30 June 2018 are summarised below:

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
Total revenue	(9,568)	122	292	48
Profit/(loss) before income tax	1,656	(14,144)	(14,699)	(4,882)
Income tax expense	(466)	-	-	-
Profit/(loss) after income tax	1,190	(14,144)	(14,699)	(4,882)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2018	2017	2016	2015
Share price at start of financial year (\$)	0.33	0.25	0.32	0.42
Share price at end of financial year (\$)	0.34	0.33	0.25	0.32
Basic earnings per share (cents per share)	2.40	(6.71)	(10.67)	(16.30)
Diluted earnings per share (cents per share)	2.30	(6.71)	(10.67)	(16.30)

Hedging of securities

In accordance with the Group's general share trading policy and employee share plan rules, participants are prohibited from engaging in hedging arrangements over unvested securities issued pursuant to any employee or director share plan, without prior approval of the Board.

Use of remuneration consultants

The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Voting and comments made at the Company's 2017 Annual General Meeting ("AGM")

At the 2017 AGM, 87% of the proxy votes cast at that meeting were in favour of the adoption of the remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.



Details of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	MMJ Parent (1 July 2017 – 30 June 2018)							Harvest One (1 July 2017 – 28 February 2018) ¹				
	Cash salary and fees	Cash bonus	Non-monetary benefits	Post-employment benefits Super Contribution	Long-term benefits Annual and Long service leave	Termination	Share based payments Equity settled	Cash salary and fee	Cash bonus	Termination	Share based payments Equity settled	Total
2018	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>												
Peter Wall	56,000	-	-	-	-	-	2,115,000	40,641	-	-	132,196	2,343,837
Winton Willesee	42,000	-	-	-	-	-	709,585	-	-	-	-	751,585
Doug Halley	15,284	-	-	1,366	-	-	81,621	-	-	-	-	98,271
Jason Bednar ²	25,493	-	-	-	-	-	730,562	24,385	-	-	94,425	874,865
Will Stewart	-	-	-	-	-	-	-	24,385	-	-	84,983	109,368
<i>Executive Directors:</i>												
Andreas Gedeon ³	44,000	-	-	-	-	-	2,115,000	179,498	-	-	566,555	2,905,053
<i>Other key management personnel:</i>												
Jason Conroy	103,462	-	-	9,829	6,052	-	189,973	-	-	-	-	309,316
Jim Hallam	54,284	-	-	24,157	1,365	-	3,621	-	-	-	-	83,427
Catherine Harvey	235,000	-	-	22,325	9,897	-	164,589	-	-	-	-	431,811
Lisa Dea	17,921	-	-	-	-	-	558,000	135,470	203	-	113,311	824,905
Graham Whitmarsh ⁴	-	-	-	-	-	-	-	110,200	-	113,639	109,179	333,018
Daniela Vaschi	-	-	-	-	-	-	4,059	94,829	203	-	94,425	193,516
Nick Maltchev	-	-	-	-	-	-	-	111,763	203	-	113,311	225,277
Daphna Heffetz	153,278	-	21,322	27,274	-	5,737	15,350	-	-	-	-	222,961
Stan Sologubov	-	-	-	-	-	-	91,247	141,836	-	-	-	233,083
	746,722	-	21,322	84,951	17,314	5,737	6,778,607	863,007	609	113,639	1,308,385	9,940,293

¹Harvest One remuneration disclosure is for the period between 1 July 2017 and 28 February 2018 (date of deconsolidation from MMJ PhytoTech Limited due to deemed loss of control).

²Jason Bednar resigned on 16 March 2018.

³Andreas Gedeon resigned as Managing Director of MMJ and Harvest One on 26 February 2018 and 3 July 2018 respectively.

⁴Graham Whitmarsh resigned from Harvest One on 15 January 2018.



Details of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	MMJ Parent						Harvest One			
	Short-term benefits		Non-monetary benefits	Post-employment benefits	Long-term benefits	Share based payments	Short-term benefits		Share based payments	Total
	Cash salary and fees	Cash bonus		Super Contribution	Annual and Long service leave	Equity settled	Cash salary and fee	Cash bonus	Equity settled	
2017	\$	\$		\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>										
Peter Wall	48,000	-	-	-	-	-	10,094	-	162,671	220,765
Jason Bednar	36,000	-	-	-	-	77,655	6,056	-	116,194	235,905
Winton Willesee	36,000	-	-	-	-	26,972	-	-	-	62,972
Ross McKay ¹	3,000	-	-	-	-	-	-	-	-	3,000
Will Stewart	-	-	-	-	-	-	6,056	-	20,915	26,971
<i>Executive Directors:</i>										
Andreas Gedeon ³	264,565	48,953	-	-	-	-	90,779	115,000	697,163	1,216,460
<i>Other Key Management Personnel</i>										
Catherine Harvey	196,150	-	-	18,634	16,380	248,191	-	-	-	479,355
Lisa Dea	-	-	-	-	-	-	3,882	-	27,887	31,769
Graham Whitmarsh	-	-	-	-	-	-	29,505	-	34,858	64,363
Daniela Vaschi	-	-	-	-	-	11,846	105,927	-	116,194	233,967
Nick Maltchev	-	-	-	-	-	-	25,623	-	27,887	53,510
Daphna Heffetz	255,329	-	35,519	45,433	-	99,168	-	-	-	435,449
Stan Sologubov	302,924	-	-	-	-	358,031	-	-	-	660,955
Richard Jarvis ²	53,543	-	-	-	-	-	-	-	-	53,543
	1,195,511	48,953	35,519	64,067	16,380	821,863	277,922	115,000	1,203,769	3,778,984

¹Ross McKay resigned on 11 August 2016, share based payment recognised in prior period (\$60,033) has been reversed in the statement of profit or loss and other comprehensive income.

²Richard Jarvis resigned on 14 October 2016.

³Andreas Gedeon received \$48,953 annual bonus from MMJ parent which subject to the successful completion of Harvest One transaction. He also received \$115,000 sign on bonus from Harvest One.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2018	2017	2018	2017	2018	2017
<i>Non-Executive Directors:</i>						
Peter Wall	4%	26%	-	-	96%	74%
Winton Willesee	6%	57%	-	-	94%	43%
Doug Halley	17%	-	-	-	83%	-
Will Stewart	22%	22%	-	-	78%	78%
Jason Bednar	6%	18%	-	-	94%	82%
<i>Executive Directors:</i>						
Andreas Gedeon	8%	29%	-	13%	92%	58%
<i>Other Key Management Personnel:</i>						
Jason Conroy	39%	-	-	-	61%	-
Jim Hallam	96%	-	-	-	4%	-
Catherine Harvey	62%	48%	-	-	38%	52%
Lisa Dea	19%	12%	-	-	81%	88%
Graham Whitmarsh	67%	46%	-	-	33%	54%
Daniela Vaschi	49%	45%	-	-	51%	55%
Nick Maltchev	50%	48%	-	-	50%	52%
Daphna Heffetz	93%	77%	-	-	7%	23%
Stan Sologubov	61%	46%	-	-	39%	54%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Andreas Gedeon
Title:	Managing Director
Agreement commenced:	27 July 2015
Term of agreement:	3 years effective from 27 July 2015
	Termination date:
	- MMJ PhytoTech Limited: 26 February 2018
	- Harvest One Cannabis Inc: 3 July 2018
Details:	- Base Salary: MMJ PhytoTech Limited: CAD \$65,000 per annum (as at 30 June 2018 equivalent to AUD \$66,884)
	- Base salary: Harvest One Cannabis: CAD \$265,000 per annum (as at 30 June 2018 equivalent to AUD \$272,680).
	- Performance Based Incentives: Cash or non-cash performance-based bonus of up to 50% of base salary, at Board's discretion.
	- Termination Benefit: 3 months
Name:	Daphna Heffetz
Title:	CEO PhytoTech Therapeutics
Agreement commenced:	15 January 2015
Term of agreement:	Effective from 15 January 2015
	Termination date: 31 December 2017
Details:	- Base Salary: NIS 720,000 per annum (as at 30 June 2018 equivalent to AUD \$266,279). Performance Based Incentives: 4,500,000 Class B Options (0.20, 6 May 2019).

Name:	Daniela Vaschi
Title:	CEO United Greeneries
Agreement commenced:	1 July 2016
Term of agreement:	Effective from 1 July 2016 until termination of agreement, as amended 8 May 2017. Termination date: 7 August 2018
Details:	<ul style="list-style-type: none"> - Base Salary: CAD 140,000 per annum, as amended 8 May 2017, (as at 30 June 2018 equivalent to AUD \$144,057) - Performance-Based Incentive: 285,000 Class H Options (\$0.27, 31 Jan 2020). - Termination Benefit: 2 weeks
Name:	Stanislav Sologubov
Title:	CEO – Satipharm
Agreement commenced:	6 June 2016
Term of agreement:	Effective from 6 June 2016 until termination of the agreement. Termination date: 26 June 2018
Details:	<ul style="list-style-type: none"> - Base Salary: EUR 180,000 per annum on achieving gross revenue from sales of EUR\$1,000,000 (as at 30 June 2018 equivalent to AUD \$284,096). - Performance-Based Incentives: 4,000,000 Options exercisable at \$0.24 on or before 6 June 2019. As at the date of this report all options have been exercised. - Termination Benefit: 3 months
Name:	Catherine Harvey
Title:	Chief Operating Officer
Agreement commenced:	1 September 2016
Term of agreement:	Effective from 1 September 2016 until termination of the agreement. Termination date: 13 July 2018
Details:	<ul style="list-style-type: none"> - Base Salary: AUD\$235,000 per annum - Performance-Based Incentives: 3,000,000 Options exercisable at \$0.24 on or before 1 September 2020. - Termination Benefit: 3 months
Name:	Graham Whitmarsh
Title:	Chief Operating Officer – Harvest One Cannabis Inc.
Agreement commenced:	26 April 2017
Term of agreement:	Effective from 26 April 2017 until termination of the agreement. Termination date: 15 January 2018
Details:	<ul style="list-style-type: none"> - Base Salary CAD \$200,000 (as at 30 June 2018 equivalent to AUD \$205,796). - Performance bonus of up to 30% of the executive's annual base salary if KPI is achieved. 500,000 stock options pursuant to and in accordance with the terms and conditions of the Harvest One Cannabis Inc. - Termination Benefit 3 months
Name:	Jason Bednar
Title:	Non-Executive Director
Agreement commenced:	27 July 2015
Term of agreement:	Effective from 27 July 2015 until termination of the agreement. Termination date:
Details:	<ul style="list-style-type: none"> - MMJ PhytoTech Limited: 16 March 2018 - Base Salary - MMJ PhytoTech Limited: AUD \$36,000 - Base Salary - Harvest One Cannabis: CAD \$36,000 for Harvest One (as at 30 June 2018 equivalent to AUD \$37,043) - 1,500,000 Class D Options

Name:	Lisa Dea
Title:	Chief Financial Officer – Harvest One Cannabis Inc
Agreement commenced:	12 June 2017
Term of agreement:	Effective from 12 June 2017 until termination of the agreement
Details:	<ul style="list-style-type: none"> - Base Salary CAD \$200,000 (as at 30 June 2018 equivalent to AUD \$205,796). - Performance bonus of up to 30% of the base salary if KPIs are achieved. 400,000 stock options pursuant to and in accordance with the terms and conditions of the Harvest One Canada Inc.
Name:	Nick Maltchev
Title:	Chief Technology Officer – Harvest One Cannabis Inc
Agreement commenced:	17 April 2017
Term of agreement:	Effective from 17 April 2017 until termination of the agreement
Details:	<ul style="list-style-type: none"> - Base Salary CAD \$165,000 (as at 30 June 2018 equivalent to AUD \$169,782). - Performance bonus of 400,000 Stock Options pursuant to and in accordance with the terms and conditions of the Harvest One Cannabis Inc.
Name:	Peter Wall
Title:	Non-Executive Chairman
Agreement commenced:	1 September 2014
Term of agreement:	Effective from 1 September 2014
Details:	<ul style="list-style-type: none"> - Base Salary - MMJ PhytoTech Limited: AUD \$48,000 per annum, amended to AUD \$72,000 from March 2018. - Base Salary - Harvest One Cannabis: CAD \$60,000 per annum for Harvest One (as at 30 June 2018 equivalent to AUD \$61,739)
Name:	Doug Halley
Title:	Non-Executive Director
Agreement commenced:	16 March 2018
Term of agreement:	Effective from 16 March 2018
Details:	<ul style="list-style-type: none"> - Base Salary – AUD\$54,000 per annum as Non-Executive Director; AUD\$10,000 per annum as Chair of the Audit and Risk Committee. - 1,000,000 options to be issued subject to shareholder approval at next general meeting.
Name:	Jason Conroy
Title:	Chief Executive Officer
Agreement commenced:	26 February 2018
Term of agreement:	Effective from 26 February 2018
Details:	<ul style="list-style-type: none"> - Base Salary - MMJ PhytoTech Limited: AUD \$300,000 - Performance-Based Incentives <ul style="list-style-type: none"> o Tranche 1: 2,000,000 performance rights vest immediately upon the 20-day VWAP of Shares on the ASX being at or above \$0.60 (60 cents); o Tranche 2: 2,000,000 performance rights vest immediately upon the 20-day VWAP of Shares on the ASX being at or above \$0.80 (80 cents); o Tranche 3: 2,000,000 performance rights vest immediately upon the 20-day VWAP of Shares on the ASX being at or above \$1.00 - Termination Benefit: 12 months

Name: Jim Hallam
Title: Chief Financial Officer and Company Secretary
Agreement commenced: 3 April 2018
Term of agreement: Full time contract effective from 4 June 2018
Details:

- Base Salary - MMJ PhytoTech Limited: AUD \$250,000
- Performance-Based Incentives
 - o Tranche 1: 833,333 performance rights vest immediately upon the 20-day VWAP of Shares on the ASX being at or above \$0.60 (60 cents);
 - o Tranche 2: 833,333 performance rights vest immediately upon the 20-day VWAP of Shares on the ASX being at or above \$0.80 (80 cents);
 - o Tranche 3: 833,334 performance rights vest immediately upon the 20-day VWAP of Shares on the ASX being at or above \$1.00
- Termination Benefit: 3 months

Share-based compensation

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

MMJ PhytoTech Limited

Option			Exercise price	Fair value per option at grant date	Option balance As at 30 June 2018
Name	Class	Grant date			
Winton Willesee	Class D	29 June 2015	\$0.400	\$0.163	1,000,000
The options vest quarterly over a period of 3 years of continuous employment.					
Jason Bednar	Class D	27 July 2015	\$0.400	\$0.193	1,500,000
The options vest quarterly over a period of 3 years of continuous employment.					
Daniela Vaschi	Class H	1 February 2016	\$0.270	\$0.202	285,000
The options vest quarterly over a period of 3 years of continuous employment.					
Stan Sologubov	Class I	6 June 2016	\$0.240	\$0.121	1,000,000
Subject to vesting conditions: the options vest every 6 months over a period of 2 years of continuous service.					
Catherine Harvey	Class J	14 October 2016	\$0.240	\$0.163	3,000,000
Subject to vesting conditions: the options vest annually over a period of 3 years of continuous service.					
Lisa Dea	Class K	1 February 2018	\$0.350	\$0.372	1,500,000
Subject to vesting conditions: the options vest quarterly over a period of 3 years of continuous service.					
Doug Halley	-16 March 2018*		\$0.344	\$0.270	1,000,000
Subject to vesting conditions: 25% of the options shall vest at the end of each of the four successive six-month periods following the date of issue.					

* Deemed grant date. As of the date of this report, these options have not been issued.

The fair value of the options was determined using the Black-Scholes option valuation methodology and applying the inputs below.

	Class D Options	Class D Options	Class H Options	Class I Options	Class J Options	Class K Options	Options to be issued
Name	Winton Willesee	Jason Bednar	Daniela Vaschi	Stan Sologubov	Catherine Harvey	Lisa Dea	Doug Halley
Grant date	29/06/2015	27/07/2015	01/02/2016	06/06/2016	14/10/2016	01/02/2018	16/03/2018
Exercise price	\$0.40	\$0.40	\$0.27	\$0.24	\$0.24	\$0.35	\$0.34
Expire date	27 July 2018	27 July 2018	31 January 2020	6 June 2019	1 September 2020	31 October 2021	30 November 2021
Risk free rate	2.8%	2.00%	2.00%	2.00%	2.00%	2.13%	2.03%
Volatility	93%	95%	95%	95%	95%	100%	100%
Value per option	\$0.163	\$0.193	\$0.202	\$0.121	\$0.164	\$0.372	\$0.27

Harvest One

Name	Option balance as at 28 February 2018	Grant date	Expiry date	Exercise price	Fair value per option at grant date
Peter Wall	700,000	27 April 2017	29 April 2019	\$0.750	\$0.599
Jason Bednar	500,000	27 April 2017	29 April 2019	\$0.750	\$0.599
Will Stewart	300,000	27 April 2017	29 April 2019	\$0.750	\$0.599
Andreas Gedeon	3,000,000	27 April 2017	29 April 2019	\$0.750	\$0.599
Lisa Dea	400,000	27 April 2017	29 April 2019	\$0.750	\$0.599
Graham Whitmarsh	-	27 April 2017	29 April 2019	\$0.750	\$0.599
Daniela Vaschi	500,000	27 April 2017	29 April 2019	\$0.750	\$0.599
Nick Maltchev	400,000	27 April 2017	29 April 2019	\$0.750	\$0.599

All Harvest One options vest in three tranches on 29 April 2017, 28 April 2018 and 29 April 2019.

Options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

MMJ PhytoTech Limited

Grant date	Class	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
30 November 2017	Class E, F & G	31 December 2017	12 December 2022	\$0.500	\$0.470
02 March 2018*	Class H	01 March 2020	02 March 2023	\$0.600	\$0.351
02 March 2018*	Class I	01 March 2021	02 March 2023	\$0.800	\$0.230
02 March 2018*	Class J	01 March 2022	02 March 2023	\$1.000	\$0.147
15 June 2018**	Class H	01 March 2020	26 February 2023	\$0.600	\$0.127
15 June 2018**	Class I	01 March 2021	26 February 2023	\$0.800	\$0.063
15 June 2018*	Class J	01 March 2022	26 February 2023	\$1.000	\$0.031

*Performance rights issued to Jason Conroy, expiry five years from the date of issue.

**Performance rights issued to Jim Hallam, expiry on 26 February 2023

Name	Class	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Peter Wall ¹	E,F,G	4,500,000	30 November 2017	31 December 2017	12 December 2022	\$0.500	\$0.470
Winton Willesee ¹	E,F,G	1,500,000	30 November 2017	31 December 2017	12 December 2022	\$0.500	\$0.470
Jason Bednar ¹	E,F,G	1,500,000	30 November 2017	31 December 2017	12 December 2022	\$0.500	\$0.470
Andreas Gedeon ¹	E,F,G	4,500,000	30 November 2017	31 December 2017	12 December 2022	\$0.500	\$0.470
Jason Conroy ²	H	2,000,000	02 March 2018	01 March 2020	02 March 2023	\$0.600	\$0.351
Jason Conroy ²	I	2,000,000	02 March 2018	01 March 2021	02 March 2023	\$0.800	\$0.230
Jason Conroy ²	J	2,000,000	02 March 2018	01 March 2022	02 March 2023	\$1.000	\$0.147
Jim Hallam ³	H	833,333	15 June 2018	01 March 2020	26 February 2023	\$0.600	\$0.127
Jim Hallam ³	I	833,333	15 June 2018	01 March 2021	26 February 2023	\$0.800	\$0.063
Jim Hallam ³	J	833,334	15 June 2018	01 March 2022	26 February 2023	\$1.000	\$0.031

¹The fair value of the Class E, F and G performance rights was determined after applying the inputs below.

	Class E	Class F	Class G
Number of rights issued to KMP	4,000,000	4,000,000	4,000,000
Number of rights issued to officer	125,000	125,000	125,000
Total number of rights issued	4,125,000	4,125,000	4,125,000
Valuation date	30 November 2017	30 November 2017	30 November 2017
Vesting conditions	Vesting upon continuous service until 31 December 2017 or 5 trading day VWAP reaches \$0.50 (50 cents)	Vesting upon continuous service 30 June 2018 or 5 trading day VWAP reaches \$0.50 (50 cents)	Vesting upon continuous service 31 December 2019 or 5 trading day VWAP reaches \$0.50 (50 cents)
Fair value per unit to KMP	\$0.47 (47 cents)	\$0.47 (47 cents)	\$0.47 (47 cents)
Fair value per unit to officer	\$0.43 (43 cents)	\$0.43 (43 cents)	\$0.43 (43 cents)
Expense for the period	\$1,933,750	\$1,933,750	\$1,933,750

²The fair value of the Class H, I and J performance rights issued to Jason Conroy was determined after applying the inputs below.

	Class H	Class I	Class J
Underlying share price	\$0.455	\$0.455	\$0.455
Exercise price	Nil	Nil	Nil
20-Day VWAP Barrier	\$0.60	\$0.80	\$1.00
Valuation date	2 March 2018	2 March 2018	2 March 2018
Vesting Period (years)	3.99	3.99	3.99
Volatility*	30%	30%	30%
Risk free rate	2.34%	2.34%	2.34%
Number of rights	2,000,000	2,000,000	2,000,000
Value per right	\$0.351	\$0.230	\$0.147
Value per Tranche	\$702,000	\$460,000	\$294,000
Value expense for the period	\$115,397	\$50,411	\$24,164

*This is VWAP specific volatility.

³The fair value of the Class H, I and J performance rights issued to Jim Hallam was determined after applying the inputs below.

	Class H	Class I	Class J
Underlying share price	\$0.315	\$0.315	\$0.315
Exercise price	Nil	Nil	Nil
20-Day VWAP Barrier	\$0.60	\$0.80	\$1.00
Valuation date	15 June 2018	15 June 2018	15 June 2018
Vesting Period (years)	3.70	3.70	3.70
Volatility*	30%	30%	30%
Risk free rate	2.13%	2.13%	2.13%
Number of rights	833,333	833,333	833,334
Value per right	\$0.127	\$0.063	\$0.031
Value per Tranche	\$105,833	\$52,500	\$25,833
Value expense for the period	\$2,540	\$795	\$286

*This is VWAP specific volatility.

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Number of rights granted during the year 2018	Number of rights granted during the year 2017	Number of rights vested during the year 2018	Number of rights vested during the year 2017
Peter Wall	4,500,000	-	4,500,000	-
Winton Willesee	1,500,000	-	1,500,000	-
Jason Bednar	1,500,000	-	1,500,000	-
Andreas Gedeon	4,500,000	-	4,500,000	-
Jason Conroy	6,000,000	-	-	-
Jim Hallam	2,500,000	-	-	-

Values of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Value of rights granted during the year \$	Value of rights vested during the year \$	Value of rights lapsed during the year \$	Remuneration consisting of rights for the year %
Peter Wall	2,115,000	2,115,000	-	90%
Winton Willesee	705,000	705,000	-	94%
Jason Bednar	705,000	705,000	-	81%
Andreas Gedeon	2,115,000	2,115,000	-	73%
Jason Conroy*	1,456,000	189,963	-	61%
Jim Hallam*	184,167	3,621	-	4%

*Performance rights issued to Jason Conroy and Jim Hallam did not vest as at 30 June 2018 and therefore cannot be exercised. Movement during the year relates to the accounting expense over the vesting period.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

MMJ PhytoTech Limited

	Balance at the start of the year	Received on the exercise of options/perfor mance rights	Additions	Other changes during the period	Balance at the end of the year
<i>Ordinary shares</i>					
Peter Wall	4,100,000	-	-	-	4,100,000
Winton Willesee	-	-	-	-	-
Doug Halley	-	-	-	-	-
Andreas Gedeon*	6,563,914	-	-	(6,563,914)	-
Jason Bednar**	1,026,522	-	-	(1,026,522)	-
Stan Sologubov	-	1,000,000	-	(1,000,000)	-
Daphna Heffetz	-	3,900,000	-	(3,900,000)	-
	<u>11,690,436</u>	<u>4,900,000</u>	<u>-</u>	<u>(12,490,436)</u>	<u>4,100,000</u>

* Andreas Gedeon resigned as Managing Director on 26 February 2018. The other changes column represents his shareholding on the date of his resignation.

** Jason Bednar resigned as Non-Executive Director on 16 March 2018. The other changes column represents his shareholding on the date of his resignation.

Harvest One

	Balance at the start of the year	Received on the exercise of options/	Additions	other changes during the period	Balance at 28 February 2018*
<i>Ordinary shares</i>					
Andreas Gedeon	30,000	-	-	-	30,000
Peter Wall	-	-	-	-	-
Jason Bednar	-	-	-	-	-
Will Stewart	-	-	-	-	-
Lisa Dea	-	-	-	-	-
Graham Whitmarsh	-	-	-	-	-
Daniela Vaschi	-	-	-	-	-
Nick Maltchev	-	-	-	-	-
Stan Sologubov	-	-	-	-	-

*The balance represents Mr Gedeon's shareholding on the date of Harvest One deconsolidation from MMJ PhytoTech Limited

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

MMJ PhytoTech Limited

	Balance at the start of the year	Granted	Exercised	Other changes during the period	Balance at the end of the year	Vested and exercisable	Unvested
<i>Options over ordinary shares</i>							
Peter Wall							
Winton Willesee	1,000,000	-	-	-	1,000,000	1,000,000	-
Jason Bednar***	1,500,000	-	-	(1,500,000)	-	1,375,000	125,000
Will Stewart	-	-	-	-	-	-	-
Jason Conroy	-	-	-	-	-	-	-
Jim Hallam	-	-	-	-	-	-	-
Graham Whitmarsh	-	-	-	-	-	-	-
Nick Maltchev	-	-	-	-	-	-	-
Lisa Dea****	-	1,500,000	-	(1,500,000)	-	250,000	1,250,000
Daphna Heffetz	3,900,000	-	(3,900,000)	-	-	-	-
Stan Sologubov*	2,000,000	-	(1,000,000)	(1,000,000)	-	1,000,000	-
Daniela Vaschi*	285,000	-	-	(285,000)	-	261,250	23,750
Doug Halley**	-	1,000,000	-	-	1,000,000	-	1,000,000
Catherine Harvey	3,000,000	-	-	-	3,000,000	1,000,000	2,000,000
	11,685,000	2,500,000	(4,900,000)	(4,285,000)	5,000,000	4,886,250	4,398,750

* Stan Sologubov and Daniela Vaschi ceased to be a key management personnel of MMJ PhytoTech Limited on 28 February 2018 (date of deconsolidation). The other changes column represents option holding on the date of deconsolidation.

** The options are to be issued to Doug Halley subject to shareholders approval at next general meeting.

*** Jason Bednar resigned as Non-Executive Director on 16 March 2018. The other changes column represents his option holding on the date of resignation.

**** Lisa Dea resigned as the CFO of MMJ PhytoTech Limited on 28 March 2018. The other changes column represents her option holding on the date of resignation.

Harvest One

	Balance at the start of the year	Granted	Exercised	Forfeited	Other changes	Balance at 28 February 2018	Vested and exercisable	Unvested
<i>Options over ordinary shares</i>								
Peter Wall	700,000	-	-	-	-	700,000	233,333	466,667
Jason Bednar	500,000	-	-	-	-	500,000	166,667	333,333
Will Stewart*	300,000	-	-	-	(300,000)	-	-	300,000
Andreas Gedeon**	3,000,000	-	-	-	(3,000,000)	-	1,000,000	2,000,000
Lisa Dea	400,000	-	-	-	-	400,000	-	400,000
Graham Whitmarsh***	500,000	-	-	(500,000)	-	-	-	-
Daniela Vaschi*	500,000	-	-	-	(500,000)	-	166,667	333,333
Nick Maltchev*	400,000	-	-	-	(400,000)	-	-	400,000
	6,300,000	-	-	(500,000)	(4,200,000)	1,600,000	1,566,667	4,233,333

*Will Stewart, Daniela Vaschi and Nick Maltchev ceased to be a key management personnel of MMJ PhytoTech Limited on 28 February 2018 due to MMJ deemed loss of control in Harvest One. The other changes column represents their option holding in Harvest One on the date of deconsolidation.

**Andreas Gedeon resigned as Management Director of MMJ PhytoTech Limited on 26 February and ceased to be a key management personnel on 28 February 2018, due to MMJ deemed to loss of control in Harvest One. The other changes column represents his option holding in Harvest One on the date of deconsolidation.

***Graham Whitmarsh resigned on 15 January 2018.

Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

MMJ PhytoTech Limited

<i>Performance rights over ordinary shares</i>	Balance at the start of the year	Granted	Exercised	Other changes	Balance at the end of the year	Vested** and exercisable	Unvested
Peter Wall	-	4,500,000	-	-	4,500,000	4,500,000	-
Winton Willesee	-	1,500,000	-	-	1,500,000	1,500,000	-
Andreas Gedeon***	-	4,500,000	-	(4,500,000)	-	-	-
Jason Bednar*	-	1,500,000	-	(1,500,000)	-	1,500,000	-
Jason Conroy	-	6,000,000	-	-	6,000,000	-	6,000,000
Jim Hallam	-	2,500,000	-	-	2,500,000	-	2,500,000
	-	20,500,000	-	(6,000,000)	14,500,000	7,500,000	8,500,000

* Jason Bednar resigned as a Non-Executive Director on 16 March 2018. The other changes column represents his performance rights balance as at the date of resignation.

** Performance rights that are vested and exercisable will be exercised at the discretion of individual holders.

*** Andreas Gedeon resigned as Managing Director on 26 February 2018. The other changes column represents performance rights balance as at the date of resignation.

Other transactions with key management personnel and their related parties

	Consolidated 2018 \$	2017 \$
Director fees paid		
Director fees paid to Peregrine Consulting Ltd, an entity related to Andreas Gedeon	188,473	345,196
Director fees paid to Azalea Consulting Pty Ltd, an entity related to Mr Winton Willesee	42,000	36,000
Director fees paid to Jason Bednar	49,878	42,056
Director fees paid to Ross McKay	-	3,000
Director fees paid to Doug Halley	15,750	-
Director fees paid to Pheakes Pty Ltd, an entity related to Mr Peter Wall	96,641	58,094
Director fees paid to Greenline Holdings Pty Ltd, an entity related to Andreas Gedeon	44,000	11,000

During the reporting period, the consolidated entity engaged the services on the following related-parties on normal commercial terms and conditions no more favourable than those available to other parties:

Steinepreis Paganin, an entity associated with Mr Peter Wall, received payments totalling \$166,490 in relation to legal services provided to the consolidated entity. As at 30 June 2018, \$51,000 was payable to Steinepreis Paganin by the consolidated entity.

Azalea Consulting Pty Ltd, an entity associated with Mr Winton Willesee, received payments totalling \$70,465 in relation to front office administration and company secretarial services provided to the consolidated entity.

Doug Halley was appointed as the Chair of Audit and Risk Committee during the year. He was entitled to \$10,000 per annum. As at 30 June 2018, \$900 was payable by the consolidated entity.

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2018	2017
	\$	\$
Current Payables:		
Amount owing to Pheakes Pty Ltd, an entity related to Mr Peter Wall	-	4,400
Amount owing to Steinepreis Paganin, an entity associated with Mr Peter Wall	51,000	9,303
Amount owing to Azalea Consulting Pty Ltd, an entity related to Mr Winton Willesee	-	9,580
Amount owing to Jason Bednar	-	3,000
Amount owing to Doug Halley	900	-

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of MMJ PhytoTech Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
1 April 2015	6 May 2019	\$0.31	350,000
27 July 2015	24 July 2018	\$0.40	2,500,000
27 July 2015	24 July 2018	\$0.20	1,500,000
22 April 2016	1 March 2019	\$0.36	2,537,500
1 February 2016	31 January 2020	\$0.27	620,891
14 October 2016	1 September 2020	\$0.24	3,000,000
1 February 2018	31 October 2021	\$0.35	1,500,000
			12,008,391

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares under performance rights

Unissued ordinary shares of MMJ PhytoTech Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
28 August 2014	18 November 2018	\$0.08	6,500,000
29 June 2015	18 November 2018	\$0.30	2,500,000
03 March 2018	26 February 2023	-	6,000,000
15 June 2018	26 February 2023	-	2,500,000
			17,500,000

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of MMJ PhytoTech Limited were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
15 January 2015	\$0.20	3,900,000
27 July 2015	\$0.20	1,500,000
23 October 2015	\$0.45	1,286,885
1 February 2016	\$0.27	155,000
14 October 2016	\$0.24	<u>2,000,000</u>
		<u><u>8,841,885</u></u>

Shares issued on the exercise of performance rights

The following ordinary shares of MMJ PhytoTech Limited were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Exercise price	Number of rights issued
30 November 2017	-	12,375,000

Indemnity and insurance of officers

The consolidated entity has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the consolidated entity paid a premium in respect of a contract to insure the directors and executives of the consolidated entity against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The consolidated entity has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the consolidated entity or any related entity against a liability incurred by the auditor.

During the financial year, the consolidated entity has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the consolidated entity

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the consolidated entity, or to intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or part of those proceedings.

Non-audit services

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor (Please refer to Note 26 Remuneration of auditors for details); and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

	2018	2017
	\$	\$
Tax related services	47,630	97,431

Officers of the company who are former partners of BDO Audit (WA) Pty Ltd

There are no officers of the company who are former partners of BDO Audit (WA) Pty Ltd.

Rounding of amounts

The consolidated entity is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Wall
Non-executive Chairman

21 September 2018

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF MMJ PHYTOTECH LIMITED

As lead auditor of MMJ PhytoTech Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of MMJ PhytoTech Limited and the entities it controlled during the period.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 21 September 2018

The Board recognises the importance of establishing a comprehensive system of control and accountability as the basis for the administration of corporate governance.

To the extent relevant and practical, the Company has adopted a corporate governance framework that is consistent with *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (“**Recommendations**”).

The Board has adopted the following suite of corporate governance policies and procedures which are contained with the Company’s **Corporate Governance Plan**, a copy of which is available on the Company’s website at www.mmjphytotech.com.au.

- Board Charter
- Corporate Code of Conduct
- Audit and Risk Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Performance Evaluation Procedures
- Continuous Disclosure Policy
- Risk Management Policy
- Remuneration Policy
- Trading Policy
- Diversity Policy
- Shareholder Communications Strategy

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company’s needs.

The Company is pleased to report that its practices are largely consistent with the Recommendations of the ASX Corporate Governance Council and sets out below its compliance and departures from the Recommendations for the period ended 30 June 2018.

In light of the Company’s size and nature, the Board considers that the current corporate governance regime is a fit-for-purpose, efficient, practical and cost effective method of directing and managing the Company. As the Company’s activities develop in size, nature and scope, the implementation of additional corporate governance policies and structures will be reviewed.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the board, the chair and management; and includes a description of those matters expressly reserved to the board and those delegated to management.	YES	The Company has adopted a Board Charter which complies with the guidelines prescribed by the ASX Corporate Governance Council. A copy of the Company's Board Charter is available on the Company's website.
Recommendation 1.2 A listed entity should: <ul style="list-style-type: none"> (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director. 	YES	<ul style="list-style-type: none"> (a) The Nomination Committee (the function of which is currently performed by the full Board) is responsible for the selection and appointment of members of the Board. The Company's Nomination Committee Charter requires the Nomination Committee to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director. During the financial year the Company undertook appropriate checks prior to the appointment of Mr Douglas Halley as Director of the Company. (b) During the financial year, the shareholders of the Company re-elected Mr Wall as a Director of the Company at the annual general meeting held on 29 November 2017. All material information relevant to the decision on whether or not to re-elect Mr Wall, including information relating to his qualifications, experience, length of service and role within the Board, was provided to security holders via the Notice of Meeting and Annual Report prior to that meeting. Mr Halley was appointed as a non-executive Director on the 16 March 2018 by the Board to fill a vacancy following the resignation of Mr Bednar on the 14 March 2018. Mr Halley's appointment is to be confirmed by shareholders at the upcoming Annual General Meeting. All material information relevant to the decision on whether or not to confirm the appointment of Mr Halley, including information relating to his qualifications, experience, length of service and role within the Board, will be provided to security holders via the Notice of Meeting prior to that meeting.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	Each Director and senior executive of the Company is party to a written agreement with the Company which sets out the terms and conditions of that Director's or senior executive's appointment.
Recommendation 1.4	YES	The Board Charter outlines the roles, responsibility and accountability of the

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.		Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.
Recommendation 1.5 A listed entity should: <p>(a) have a diversity policy which includes requirements for the board:</p> <p>(i) to set measurable objectives for achieving gender diversity; and</p> <p>(ii) to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <p>(i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and</p> <p>(ii) either:</p> <p>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</p>	PARTIALLY	<p>(a) The Company has adopted a Diversity Policy, however, given the current size of the Company, the Board has determined that the benefits of the initiatives recommended by the ASX Corporate Governance Council in this regard are disproportionate to the costs involved in the implementation of such strategies.</p> <p>Accordingly, the Board has elected to adopt a tiered approach to the implementation of its Diversity Policy which is relative to the size of the Company and its workforce.</p> <p>The Company's policy provides:</p> <ul style="list-style-type: none"> Where the Company employs 100 or more employees, the Board undertakes to adopt practices in line with the Recommendations of the ASX Corporate Governance Council, including compliance with the requirement for the Company to set and report against measurable objectives for achieving gender diversity. Whilst the Company's workforce remains below this threshold, the Board will continue to drive the Company's diversity strategies on an informal basis and will apply the initiatives contained in its Diversity Policy to the extent that the Board considers relevant and necessary. <p>(b) The Diversity Policy is available on the Company's website.</p> <p>(c)</p> <p>i. As the Company did not employ 100 or more employees during the financial year, the Company did not establish a set of measurable gender diversity objectives.</p> <p>ii. As at 30 June 2018, the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation are set out below. The Company defines senior executives as those employees whose direct report is to the Managing Director or the Board.</p> <ul style="list-style-type: none"> 100% of the Company's board were male; 66% of the Company's senior executives were male (excluding members of the board)

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
		- 56% of the Company's entire workforce of 9 people were males.
Recommendation 1.6 A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	YES	<ul style="list-style-type: none"> (a) The Nomination Committee (the function of which is currently performed by the full Board) is responsible for evaluating the performance of the Board and individual Directors on an annual basis. The process for this is set out in the Company's Performance Evaluation Procedures policy which is available on the Company's website. (b) During the 2018 financial year, the Company carried out informal performance evaluations on a regular ongoing basis.
Recommendation 1.7 A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	YES	<ul style="list-style-type: none"> (a) The Remuneration Committee is responsible for evaluating the performance of senior executives on an annual basis in accordance with the Company's Performance Evaluation Procedures policy. (b) During the 2018 financial year, the Company did undertake performance evaluations of its senior executives.
Principle 2: Structure the board to add value		
Recommendation 2.1 The board of a listed entity should: <ul style="list-style-type: none"> (a) have a nomination committee which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively. 	YES	<ul style="list-style-type: none"> (a) The Board has determined that the function of the Nomination Committee is most efficiently carried out with full board participation and accordingly, the Company has elected not to establish a separate Nomination Committee at this stage. As a result, the duties that would ordinarily be assigned to the Nomination Committee under the Nomination Committee Charter are carried out by the full board. A copy of the Nomination Committee Charter is available on the Company's website. (b) The Board devotes time at annual Board meetings to discuss Board succession issues which includes. All members of the Board are to be involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Recommendation 2.2 A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	YES	<p>The Board is comprised of directors with a broad range of technical, commercial, financial and other skills, experience and knowledge relevant to overseeing the business of the Group.</p> <p>The composition of the Board is reviewed on at least an annual basis with reference to the Company's Board skills matrix which is used as a tool to assess the appropriate balance of skills, experience, independence and knowledge necessary for the Board to discharge its duties and responsibilities effectively.</p> <p>A copy of the Company's Board skills matrix for the 2018 financial year is set out with the Company's Corporate Governance Plan which is available on the Company's website.</p>
Recommendation 2.3 A listed entity should disclose: <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director</p>	YES	<p>(a) During the 2018 financial year, the independent directors of the Company were:</p> <ul style="list-style-type: none"> - Mr Winton Willesee; - Mr Jason Bednar (resigned 16 March 2018); - Mr Douglas Halley (appointed 16 March 2018). <p>Mr Peter Wall is not considered to be independent.</p> <p>(b) The Board has determined the independence of each of the Company's Directors in line with the guidance set out by the ASX's Corporate Governance Council and have not formed an opinion contrary to those guidelines.</p> <p>(c) The directors who held office during the 2018 financial year have served continuously since their respective dates of appointment, unless noted otherwise:</p> <ul style="list-style-type: none"> - Mr Wall was appointed on 14 August 2014 to current; - Mr Willesee was appointed on 21 October 2014 to current; - Mr Halley was appointed on 16 March 2018 to current; - Mr Gedeon was appointed 27 July 2015 and resigned on 26 February 2018; and - Mr Bednar was appointed on 27 July 2015 and resigned on 14 March 2018.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	YES	<p>The Board is comprised of three board members, two of which are independent.</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	PARTIALLY	The Chairman of the Board is not an independent non-executive director. Despite this, the Board considers Mr Wall to be the most appropriate Director to act as Chairman. His position in the Company is further supported by the Company's voting shareholders who last approved his re-election as Director of the Company at the annual general meeting held on 27 November 2017. The Chairman of the Board does not hold the role of CEO/Managing Director of the Company.
Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	YES	The Company has in place a program for the induction of new directors which is tailored to each new Director depending on their personal requirements, background skills, qualifications and experience and includes the provision of a formal letter of appointment and an induction pack containing sufficient information to allow the new Director to gain an understanding of the business of the Company and the roles, duties and responsibilities of Directors and the Executive Team. All Directors are encouraged to undergo continual professional development and, subject to prior approval by the Chairman, all Directors have access to numerous resources and professional development training to address any skills gaps.
Principle 3: Act ethically and responsibly		
Recommendation 3.1 A listed entity should: <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. 	YES	<ul style="list-style-type: none"> (a) The Company has a Corporate Code of Conduct that applies to its Directors, employees and contractors. (b) The Company's Corporate Code of Conduct is available on the Company's website.
Principle 4: Safeguard integrity in financial reporting		
Recommendation 4.1 The board of a listed entity should: <ul style="list-style-type: none"> (a) have an audit committee which: <ul style="list-style-type: none"> (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and 	YES	<ul style="list-style-type: none"> (a) The Company's Audit and Risk Committee is comprised of: <ul style="list-style-type: none"> - Mr Doug Halley (Committee Chairman); - Mr Winton Willesee (Non-Executive Director); and - Mr Peter Wall (Non-Executive Director) Prior to his resignation on 14 March 2018, Mr Jason Bednar held the role of Chairman of the Audit and Risk Committee. The Audit and Risk Committee Charter is available on the Company's website. The relevant qualifications and experience of the members of the committee are set out

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<p>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		<p>in the Directors Report section of its 2018 Annual Report.</p> <p>Details of the number of times the Committee met during the reporting period and the individual attendances of each of the members is set out in the Directors Report section of this Annual Report.</p>
<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	YES	<p>Prior to the execution of the financial statements of the Company, the Company's Managing Director and CFO provided the Board with written assurances that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control which is operating effectively in all material aspects in relation to the Company's financial reporting risks.</p>
<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	YES	<p>At the Company's 2017 AGM held on 29 November 2017, the Company's auditor, Jarrad Prue of BDO attended and made himself available to answer questions from security holders relevant to the audit.</p>
Principle 5: Make timely and balanced disclosure		
<p>Recommendation 5.1</p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	YES	<p>(a) The Company has adopted a Continuous Disclosure Policy which details the processes and procedures which have been adopted by the Company to ensure that it complies with its continuous disclosure obligations as required under the ASX Listing Rules and other relevant legislation.</p> <p>(b) The Continuous Disclosure Policy is available on the Company's website.</p>
Principle 6: Respect the rights of security holders		
<p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	YES	<p>Shareholders can access information about the Company and its governance (including its Constitution and adopted governance policies) from the Company's website on the "Corporate Governance" page.</p>
<p>Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate</p>	YES	<p>The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
effective two-way communication with investors.		<p>outlines a range of ways in which information is communicated to shareholders.</p> <p>A copy of the Company's Shareholder Communications Strategy policy is available on the Company's website.</p>
<p>Recommendation 6.3</p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	YES	<p>Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution, and receipt of annual and interim financial statements. Shareholders are encouraged to participate at all GMs and AGMs of the Company by written statement contained in every Notice of Meeting sent to shareholders prior to each meeting.</p> <p>The Company accommodates shareholders who are unable to attend shareholder meetings in person by accepting votes by proxy.</p> <p>At each meeting, shareholders are invited by the Chairman to ask questions of the Company's external auditor and the Board.</p> <p>Shareholders are also given an opportunity to ask questions on each resolution before it is put to the meeting.</p> <p>Any material presented to shareholders at the meeting is released to the ASX immediately prior to the commencement of the meeting for the benefit of those shareholders who are unable to attend in person. The Company also announces to the ASX the outcome of each meeting immediately following its conclusion.</p>
<p>Recommendation 6.4</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	YES	<p>Shareholders have the option of electing to receive all shareholder communications by e-mail and can update their communication preferences with the Company's registrar at any time.</p>
Principle 7: Recognise and manage risk		
<p>Recommendation 7.1</p> <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the</p>	YES	<p>(a) The Company's Audit and Risk Committee is comprised of:</p> <ul style="list-style-type: none"> - Mr Doug Halley (Committee Chairman); - Mr Winton Willesee (Non-Executive Director); and - Mr Peter Wall (Non-Executive Director) <p>Prior to his resignation on 14 March 2018, Mr Jason Bednar held the role of Chairman of the Audit and Risk Committee.</p> <p>The Audit and Risk Committee Charter is available on the Company's website.</p> <p>The relevant qualifications and experience of the members of the committee are set out</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<p>period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>		<p>in the Directors Report section of its 2018 Annual Report.</p> <p>Details of the number of times the Committee met during the reporting period and the individual attendances of each of the members is set out in the Directors Report section of this Annual Report.</p>
<p>Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	PARTIALLY	<p>The Company's Risk Management Policy deals with the management and oversight of material business risks and provides the guiding principle for management in the identification of risks across the organisation.</p> <p>During the 2018 financial year, the Company did not undertake a group wide risk review. The group wide risk review was completed in August 2018. The Board also reviews risk and the application of the risk framework on an ongoing basis within its regular board meetings and in consultation with management. The Board felt that given the nature and scale of the Company that process was the most appropriate and most robust means of monitoring and managing risk for the Company.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	YES	<p>(b) Due to the size and nature of the Company's operations, the Company does not consider it necessary to establish a formal internal audit committee at this stage.</p> <p>The Audit and Risk Committee is responsible for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	YES	<p>The Company's Risk Management Policy details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (where appropriate).</p>
Principle 8: Remunerate fairly and responsibly		
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director,</p> <p>and disclose:</p>	PARTIALLY	<p>(b) During the financial year, the Company Remuneration Committee was comprised of:</p> <ul style="list-style-type: none"> - Mr Winton Willesee (Committee Chairman); - Mr Jason Bednar (Non-Executive Director); and - Mr Peter Wall (Non-Executive Director)

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>		<p>On 16 March 2018 the Board resolved to dissolve the Remuneration Committee, after it was determined that the roles and responsibilities of the Remuneration Committee were most efficiently carried out with full board participation.</p> <p>The Remuneration Committee Charter is available on the Company's website.</p> <p>The relevant qualifications and experience of the members of the committee are set out in the Directors Report section of its 2018 Annual Report.</p> <p>Details of the number of times the Committee met during the reporting period and the individual attendances of each of the members is set out in the Directors Report section of this Annual Report.</p>
<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.</p>	YES	<p>The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive and executive directors and other senior employees. This disclosure is set out in the Remuneration Report section of its 2018 Annual Report</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it. 	YES	<ul style="list-style-type: none"> (a) The Company's Board fulfils the role of the Remuneration Committee is responsible for the review and approval of any equity-based remuneration schemes offered to Directors and Employees of the Company. Further, in accordance with the Remuneration Committee Charter, the Remuneration Committee is also responsible for granting permission, on a case by case basis, for scheme participants to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Scheme. (b) The Company's policy in this regard is set out the Company's Remuneration Committee Charter, a copy of which is available on the Company's website.

MMJ PhytoTech Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018



	Note	Consolidated 2018 \$'000	2017 \$'000
Revenue			
Interest received	5	225	46
Sales revenue	5	211	76
Realised gain on disposal of financial assets held for trading	12	3,271	-
Unrealised loss on revaluation of financial assets held for trading	12	(13,275)	-
Total revenue		(9,568)	122
Other income	6	29,185	(729)
Expenses			
Cost of sales		(724)	(102)
Employee and director related expenses		(2,795)	(2,171)
Depreciation and amortisation expense		(709)	(1,101)
Finance costs	7	(1,494)	(82)
Marketing and investor relations		(509)	(639)
Administration expenses		(1,885)	(2,121)
Consultancy and legal expenses		(939)	(1,319)
Research and development expense		(232)	(518)
Compliance and regulatory expenses		(339)	(257)
Equity based payments expense	35	(7,937)	(3,143)
Net foreign exchange loss		(80)	(545)
Impairment of inventory		(213)	(735)
Listing fee expenses		-	(804)
Loss on disposal of investment		(105)	-
Profit/(loss) before income tax expense		1,656	(14,144)
Income tax expense	8	(466)	-
Profit/(loss) after income tax expense for the year		1,190	(14,144)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(503)	261
Other comprehensive income for the year, net of tax		(503)	261
Total comprehensive income for the year		<u>687</u>	<u>(13,883)</u>
Profit/(loss) for the year is attributable to:			
Non-controlling interest		(3,954)	(1,419)
Owners of MMJ PhytoTech Limited		5,144	(12,725)
		<u>1,190</u>	<u>(14,144)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(3,954)	(1,666)
Owners of MMJ PhytoTech Limited		4,641	(12,217)
		<u>687</u>	<u>(13,883)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

MMJ PhytoTech Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018



	Note	Consolidated	
		2018	2017
		\$'000	\$'000
		Cents	Cents
Basic earnings per share	34	2.40	(6.71)
Diluted earnings per share	34	2.30	(6.71)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

MMJ PhytoTech Limited
Statement of financial position
As at 30 June 2018



	Note	Consolidated 2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	9	1,347	23,801
Trade and other receivables	10	110	434
Inventories	11	-	1,242
Financial assets held for trading	12	63,091	-
Biological assets	13	-	81
Total current assets		<u>64,548</u>	<u>25,558</u>
Non-current assets			
Property, plant and equipment	14	55	8,252
Intangibles	15	-	8,661
Goodwill	16	-	4,735
Deferred tax assets	8	433	-
Other		-	37
Total non-current assets		<u>488</u>	<u>21,685</u>
Total assets		<u>65,036</u>	<u>47,243</u>
Liabilities			
Current liabilities			
Trade and other payables	17	390	1,132
Deferred consideration	18	-	1,992
Total current liabilities		<u>390</u>	<u>3,124</u>
Non-current liabilities			
Deferred tax liabilities	8	899	2,244
Total non-current liabilities		<u>899</u>	<u>2,244</u>
Total liabilities		<u>1,289</u>	<u>5,368</u>
Net assets		<u>63,747</u>	<u>41,875</u>
Equity			
Contributed equity	19	49,064	44,954
Reserves	20	9,353	17,417
Retained profits/(accumulated losses)		5,330	(32,306)
Equity attributable to the owners of MMJ PhytoTech Limited		<u>63,747</u>	<u>30,065</u>
Non-controlling interest	21	-	11,810
Total equity		<u>63,747</u>	<u>41,875</u>

The above statement of financial position should be read in conjunction with the accompanying notes

MMJ PhytoTech Limited
Statement of changes in equity
For the year ended 30 June 2018



Consolidated	Contributed equity \$'000	Other reserves \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2016	32,706	4,881	242	(19,581)	-	18,248
Loss after income tax expense for the year	-	-	-	(12,725)	(1,419)	(14,144)
Other comprehensive income for the year, net of tax	-	-	508	-	(247)	261
Total comprehensive income for the year	-	-	508	(12,725)	(1,666)	(13,883)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	11,945	-	-	-	-	11,945
Share-based payments	-	1,689	-	-	-	1,689
Conversion of performance rights	303	(303)	-	-	-	-
Harvest One option reserve	-	2,760	-	-	-	2,760
Transaction with non-controlling interest	-	-	(247)	-	13,476	13,229
Net gain on Harvest One transaction	-	7,887	-	-	-	7,887
Balance at 30 June 2017	<u>44,954</u>	<u>16,914</u>	<u>503</u>	<u>(32,306)</u>	<u>11,810</u>	<u>41,875</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

MMJ PhytoTech Limited
Statement of changes in equity
For the year ended 30 June 2018



Consolidated	Contributed equity \$'000	Other reserves \$'000	Foreign currency translation reserve \$'000	(Accumulated losses) / Retained earnings \$'000	Non controlling interest \$'000	Total equity \$'000
Balance at 1 July 2017	44,954	16,914	503	(32,306)	11,810	41,875
Profit/(loss) after income tax expense for the year	-	-	-	5,144	(3,954)	1,190
Other comprehensive loss for the year, net of tax	-	-	(503)	-	-	(503)
Total comprehensive income for the year	-	-	(503)	5,144	(3,954)	687
<i>Transactions with owners in their capacity as owners:</i>						
Exercise of options	1,941	-	-	-	-	1,941
Conversion of performance rights	2,169	(2,169)	-	-	-	-
Cancellation of performance rights	-	(815)	-	-	-	(815)
Transaction with non-controlling interest (note 31)	-	19,154	-	-	53,920	73,074
Movement due to deconsolidation of Harvest One and PTL	-	(32,492)	-	32,492	(61,776)	(61,776)
Share-based payments	-	8,761	-	-	-	8,761
Balance at 30 June 2018	<u>49,064</u>	<u>9,353</u>	<u>-</u>	<u>5,330</u>	<u>-</u>	<u>63,747</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

MMJ PhytoTech Limited
Statement of cash flows
For the year ended 30 June 2018



		Consolidated	
	Note	2018	2017
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		65	35
Interest received		162	47
Payments to suppliers and employees (inclusive of GST)		(8,340)	(7,571)
Interest paid		(154)	(82)
		<u> </u>	<u> </u>
Net cash used in operating activities	33	<u>(8,267)</u>	<u>(7,571)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,764)	(3,297)
Payments for financial assets held for trading		(14,016)	-
Payment for intangible assets		(10)	-
Proceeds from disposal of investments		6,073	-
Decrease in cash holding due to deconsolidation of Harvest One and PTL		(81,774)	-
Other		334	-
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(91,157)</u>	<u>(3,297)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	4,000
Costs in relation to share issue		-	(259)
Proceeds from Harvest One units offering		37,869	-
Proceeds received on exercise of options		2,180	5,796
Proceeds from exercise of warrants		18,362	-
Proceeds from issue of convertible notes		19,130	-
Transactions with non-controlling interests		-	22,671
Repayment of borrowings		-	(490)
Other		32	-
		<u> </u>	<u> </u>
Net cash from financing activities		<u>77,573</u>	<u>31,718</u>
Net (decrease)/increase in cash and cash equivalents		(21,851)	20,850
Cash and cash equivalents at the beginning of the financial year		23,801	2,951
Effects of exchange rate changes on cash and cash equivalents		(603)	-
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	9	<u><u>1,347</u></u>	<u><u>23,801</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover MMJ PhytoTech Limited as a consolidated entity consisting of MMJ PhytoTech Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is MMJ PhytoTech Limited's functional and presentation currency.

MMJ PhytoTech Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 518, Level 5,
165-167 Phillip Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 September 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MMJ PhytoTech Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. MMJ PhytoTech Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is MMJ PhytoTech Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

The entity is exempt from consolidating underlying investees it controls in accordance with AASB 10 Consolidated Financial Statements and is exempt from accounting for associates in accordance with AASB 128 Investments in Associates and Joint Ventures.

Investments

As of 1 April 2018, the Company has been classified as an Investment Entity (in accordance with AASB 10 Consolidated Financial Statements) being a business whose purpose is to invest funds solely for returns via capital appreciation and/or investment returns. As the Company has been classified as an Investment Entity and recognises its investments as 'held for trading', the portfolio investments have been accounted for at fair value through Profit or Loss and shown as Financial Assets in the Statement of Financial Position.

Note 2. Significant accounting policies (continued)

Investments held at fair value through Profit or Loss are initially recognised at fair value. Transaction costs related to acquisitions are expensed to Profit or Loss immediately. Subsequent to initial recognition, all financial instruments held at fair value are accounted for at fair value, with changes to such values recognised in the Profit or Loss.

Investments are recognised on a settlement date basis.

The entity is exempt from consolidating underlying investees it controls in accordance with AASB 10 Consolidated Financial Statements and is exempt from accounting for associates in accordance with AASB 128 Investments in Associates and Joint Ventures.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Derivative financial instruments

Hedges of a net investment

Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018. The Group holds financial assets held for trading which consists of listed investments, unlisted convertible notes and other unlisted investments. The classification of its financial instruments will not change under the new accounting standard. Therefore, management does not expect the adoption of this accounting standard will have a material impact on the Group's financial performance.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. Management has assessed the impact adopting this standard and concluded that it does not have a material impact on the Group's financial performance.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. As at reporting date, the Group has non-cancellable operating lease commitments of \$0.2 million (refer note 28). Therefore, management does not expect the adoption of this accounting standard will have a material impact on the Group's financial performance and position.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Performance rights were valued using a hybrid up and in single share price barrier model.

Provision for impairment of inventories (up to date of deconsolidation of Harvest One Cannabis Inc)

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets (up to date of deconsolidation of Harvest One Cannabis Inc)

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

To maintain the License the Group is subject to routine inspections throughout the license period whereby the Group is required to be without incident and the process and procedures are to be within Health Canada guidelines. Upon completion of this inspection and when no issues are identified the renewal becomes routine. The Group completed this renewal process on June 26, 2017 and was issued a license for a further three years. The Group intends to maintain the highest level of quality control and adherence to Health Canada regulations and therefore strongly believes that the license can be renewed for further periods without incurring significant costs. Given this the Group determines that the license has an indefinite useful life in accordance with AASB 138 Intangible Assets.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets (up to date of deconsolidation of Harvest One Cannabis Inc)

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. (See further details in Note 16)

During the year, there were no impairment triggers that would suggest that the carry value of these assets exceeded its recoverable amount.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Biological assets (up to date of deconsolidation of Harvest One Cannabis Inc)

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

Loss of control – Harvest One Cannabis Inc (HV1)

HV1 completed a capital raising on 31 January 2018 and announced a mandatory conversion of all outstanding debentures on 26 February 2018, resulting in MMJ's shareholding being diluted to approximately 36% of HV1's total outstanding shares. Concurrently on 26 February 2018, Andreas Gedeon resigned from the MMJ Board. Management concluded these events resulted in the loss of control of HV1, as MMJ no longer has majority ownership or majority board representation over the operations of HV1. Management have adopted 28 February 2018 as the loss of control date of HV1.

MMJ's interest in HV1 was accounted for as follows:

- Until 28 February 2018 as a consolidated business;
- From 28 February 2018, up to 1 April 2018 as an equity accounted entity; and
- From 1 April 2018, at which time MMJ was classified as an Investment Entity, as a financial asset held for trading (refer note 2 for accounting policy of investments as an Investment Entity).

Management have further assessed that the loss of control of HV1 does not result in a discontinued operation on the basis that the Company continues to hold cannabis sector investments, including HV1, and is actively investing in the cannabis sector.

Investment Entity

As of 1 April 2018, MMJ's focus and strategies were transformed to that of an investment company with a focus on a diversified portfolio of cannabis sector investments for returns from capital appreciation, investment income, or both. The Company measures and evaluates the performance of substantially all of its investments on fair value basis.

Note 4. Operating segments

During the year ending 30 June 2018, the consolidated entity was organised into four operating segments: cultivation, processing and distribution, clinical development and investment entity.

Segment Information

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

The information reported to the CODM is on a monthly basis.

Note 4. Operating segments (continued)

Types of reportable segments:

(i) Cultivation

Segment activities include the legal cultivation and distribution of cannabis under a federally regulated MMPR license issued by Health Canada. Segment assets include cash, cannabis inventories, property, plant and equipment, infrastructure, intangible assets (licenses and permits) and other capital expenditure relating to the entity's two cannabis cultivation facilities in Canada.

(ii) Processing and distribution

Segment activities include the processing, manufacturing and distribution of cannabis-based food supplement products throughout Europe. Segment assets include cash, inventories, and key agreements with international partnerships for the production and distribution of its cannabinoid-based products.

(iii) Clinical development

Segment activities include research and clinical development of delivery systems and devices that have the potential to deliver safe, effective and measured doses of medical cannabis to patients. All research and development activities conducted in Israel are reported on in this segment. Segment assets include intellectual property, and capitalised research and development expenditure.

(iv) Investment entity

As of 1 April 2018, for financial reporting purposes, MMJ's focus and strategies were transformed to that of an investment company with a focus on a diversified portfolio of cannabis sector investments for returns from capital appreciation, investment income, or both. The consolidated entity measures and evaluates the performance of substantially all of its investments on fair value basis.

Basis of accounting for purposes of reporting by operating segment

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Company.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables.

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2018	Cultivation* \$'000	Processing and distribution* \$'000	Clinical** development \$'000	Unallocated* \$'000	Investment entity \$'000	Total \$'000
Revenue						
Sales to external customers	-	211	-	-	-	211
Realised gain on disposal of financial assets held for trading	-	-	-	-	3,271	3,271
	-	211	-	-	3,271	3,482
Unrealised loss on revaluation of financial assets held for trading	-	-	-	-	(13,275)	(13,275)
Cost of sales	(530)	(194)	-	-	-	(724)
Research expenses	-	-	(228)	-	(4)	(232)
Consultancy and regulatory expense	(60)	(216)	(6)	(431)	(226)	(939)
Employee costs	(361)	-	(415)	(1,273)	(746)	(2,795)
Equity based payments	(44)	(74)	(19)	(1,813)	(5,987)	(7,937)
Other expenses	(806)	(194)	(62)	(814)	(961)	(2,837)
EBITDA	(1,801)	(467)	(730)	(4,331)	(17,928)	(25,257)
Depreciation and amortisation	(670)	-	(2)	(32)	(5)	(709)
Interest revenue	-	-	-	-	225	225
Finance costs	(7)	(3)	-	(1,483)	(2)	(1,494)
Net loss on foreign exchange	-	(77)	(3)	-	-	(80)
Gain/(loss) on contingent deferred consideration	-	-	-	-	1,992	1,992
Impairment of inventory	(213)	-	-	-	-	(213)
Other income	-	-	-	-	27,193	27,193
Profit/(loss) before income tax expense	(2,691)	(547)	(735)	(5,846)	11,475	1,656
Income tax expense						(466)
Profit after income tax expense						1,190
Assets						
Segment assets		-	-	-	65,036	65,036
Total assets						65,036
Liabilities						
Segment liabilities		-	-	-	1,289	1,289
Total liabilities						1,289

*These segments relate to Harvest One Cannabis Inc up to the date of deconsolidation.

**Clinical development segment relates to PhytoTech Therapeutic Ltd which was deconsolidated on 1 April 2018.

Note 4. Operating segments (continued)

	Cultivation \$'000	Processing and distribution \$'000	Clinical Development \$'000	Unallocated \$'000	Total \$'000
Consolidated - 2017					
Revenue					
Sales to external customers	-	76	-	-	76
Cost of sales	-	(102)	-	-	(102)
	-	(26)	-	-	(26)
Research expense	-	-	(519)	-	(519)
Advisor and consultants	(81)	(303)	-	(284)	(668)
Legal fees	(89)	(19)	(64)	(479)	(651)
Employee costs	(526)	12	(668)	(989)	(2,171)
Equity based payments	(49)	(358)	(114)	(2,656)	(3,177)
Listing fee expense	-	-	-	(804)	(804)
Other expenses	(992)	(391)	(126)	(1,473)	(2,982)
EBITDA	(1,737)	(1,085)	(1,491)	(6,685)	(10,998)
Depreciation and amortisation	(1,084)	-	(4)	(13)	(1,101)
Interest revenue	(66)	-	-	112	46
Finance costs	(72)	(1)	(1)	(8)	(82)
Net loss on foreign exchange	-	(69)	13	(489)	(545)
Impairment of inventory	-	(735)	-	-	(735)
Gain/(loss) on contingent deferred consideration	-	-	-	(729)	(729)
Loss before income tax expense	(2,959)	(1,890)	(1,483)	(7,812)	(14,144)
Income tax expense					-
Loss after income tax expense					(14,144)
Assets					
Segment assets	23,035	772	375	23,061	47,243
Total assets					47,243
Liabilities					
Segment liabilities	646	86	154	4,482	5,368
Total liabilities					5,368

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

	Consolidated	
	2018	2017
	\$'000	\$'000
Revenue from continuing operations		
Sales revenue - CBD Gelpell pills	211	76

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Note 5. Revenue (continued)

Accounting policy for sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

All revenue stated is net of goods and services tax ("GST").

	Consolidated	
	2018	2017
Interest received	225	46

Accounting policy for interest revenue

Interest revenue is recognised using the effective interest method.

Note 6. Other income

	Consolidated	
	2018	2017
	\$'000	\$'000
Gain on deconsolidation of Harvest One Cannabis Inc.*	16,990	-
Gain on deconsolidation of PhytoTech Therapeutics Ltd**	7,779	-
Gain on changes in fair value of biological assets	1,118	-
Foreign exchange gain on revaluation of financial assets held for trading	1,241	-
Share of Harvest One profit	65	-
Gain/(Loss) on contingent deferred consideration shares	1,992	(729)
Other income	29,185	(729)

*In early 2018, Harvest One completed a capital raising on 31 January 2018 and announced a mandatory conversion of all outstanding debentures on 26 February 2018, resulting in MMJ's shareholding being diluted to approximately 36% of HV1's total outstanding shares. Concurrently on 26 February 2018, Andreas Gedeon resigned as Managing Director of MMJ but retained his directorship of Harvest One. Management concluded these events resulted in the loss of control of Harvest One as MMJ no longer has majority ownership or majority representation on the Board of Harvest One. Management have adopted 28 February 2018 as the loss of control date of Harvest One.

MMJ's interest in Harvest One from 28 February 2018, has been equity accounted up to 1 April 2018 at which point MMJ was classified as an Investment Entity for financial reporting purposes. Therefore, from 1 April 2018, MMJ's interest in Harvest One has been accounted for as a financial asset held for trading.

Below is the reconciliation of gain on deconsolidation of Harvest One Cannabis Inc.

	Consolidated	
	2018	2017
	\$'000	\$'000
Fair value of Harvest One shares on deconsolidation date	56,190	-
Net assets of Harvest One on deconsolidation date	(89,844)	-
Intangible at consolidation (net of DTL)	(6,395)	-
Goodwill	(4,737)	-
Add non-controlling interest	61,776	-
Total gain on deconsolidation of Harvest one	16,990	-

Note 6. Other income (continued)

****Gain on deconsolidation of PhytoTech Therapeutics Ltd**

On 25 June 2018 MMJ executed a share sale contract to sell 100% of PhytoTech Therapeutic Limited (PTL) to Harvest One, subject to shareholder approval on 28 September 2018. From 1 April 2018 PTL was fair valued according to the sale price as per contract.

Below is the reconciliation of gain on deconsolidation of PhytoTech Therapeutics Ltd:

	Consolidated	
	2018	2017
Fair value of PTL on deconsolidation date	8,033	-
Less net assets PTL on deconsolidation date	(254)	-
	<u>7,779</u>	<u>-</u>
Gain on deconsolidation of PTL		

Note 7. Finance costs

	Consolidated	
	2018	2017
	\$'000	\$'000
Amortisation of Harvest One deferred financial fees	1,194	-
Interest expense incurred on Harvest One debentures	288	-
Other finance costs	12	82
	<u>1,494</u>	<u>82</u>
Total finance costs		

Note 8. Income tax

	Consolidated	
	2018	2017
	\$'000	\$'000
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(loss) before income tax expense	1,656	(14,144)
Tax at the statutory tax rate of 30% (2017: 27.5%)	497	(3,890)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Differences in tax rates	1,327	243
Non-deductible share based payments	2,720	76
Revaluations	286	820
Other non-deductible amounts	276	-
Accounting gain on investment	(950)	-
Capital gain on investment	818	-
Foreign exchange	(193)	-
Previously unrecognised deferred tax assets	(930)	-
Other (deconsolidation of Harvest One)	(5,066)	-
Deferred balance not recognised	1,681	2,751
	<u>467</u>	<u>-</u>
Income tax expense		

Note 8. Income tax (continued)

	Consolidated	
	2018 \$'000	2017 \$'000
Deferred tax assets balances		
Revenue and capital losses - Australia	388	-
Temporary differences - Australia	45	-
Total deferred tax assets recognised	433	-
Unrecognised deferred tax assets		
	2018 \$'000	2017 \$'000
Revenue and capital losses - Australia	-	361
Revenue losses - Overseas	5,477	3,796
Temporary differences - Australia	-	155
Total unrecognised deferred tax assets	5,477	4,312
Deferred tax liability		
	2018 \$'000	2017 \$'000
Intangibles	-	2,244
Revaluation on investments	765	-
Foreign Exchange	134	-
Total deferred tax liabilities	899	2,244

The potential future income tax benefit will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit.

The franking account balance at period end was nil (2017: Nil).

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 8. Income tax (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2018	2017
	\$'000	\$'000
Cash at bank	1,317	23,758
Cash on deposit	30	43
	<u>1,347</u>	<u>23,801</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 10. Current assets - trade and other receivables

	Consolidated	
	2018	2017
	\$'000	\$'000
Other receivables	-	72
GST recoverable	36	175
Prepayments	74	187
	<u>110</u>	<u>434</u>

Trade and other receivables are generally due for settlement within 30 days and therefore are all classified as current.

Accounting policy for trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Note 11. Current assets - Inventories

	Consolidated	
	2018	2017
	\$'000	\$'000
Finished goods inventory	-	1,242

Accounting policy for inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a weighted average basis. Cost comprises direct materials and delivery costs, direct labour and import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 12. Current assets - financial assets held for trading

	Consolidated	
	2018	2017
	\$'000	\$'000
Investment in Bien Ventures Ltd	715	-
Investment in BevCanna Enterprises Inc	505	-
Investment in Biologics Research Institute Australia Pty Ltd ("Cannabis Access")	1,000	-
Investment in Fire&Flower Inc.	1,025	-
Investment in Harvest One Cannabis Inc.	42,256	-
Investment in Martha Jane Medical Limited	600	-
Investment in MediPharm Labs Inc	5,123	-
Investment in PhytoTech Therapeutics Ltd	8,033	-
Convertible debenture receivable - Weed Me Inc ¹	3,834	-
	63,091	-

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	-	-
Additions - investment in Harvest One on the date of deconsolidation	56,190	-
Additions - investment in PTL	7,779	-
Additions - other investments	14,016	-
Unrealised loss on revaluation of financial assets held for trading	(13,275)	-
Realised gain on disposal of financial assets held for trading	3,271	-
Foreign exchange gain on revaluation of financial assets held for trading	1,183	-
Disposal of financial assets held for trading	(6,073)	-
Closing fair value	63,091	-

Note 12. Current assets - financial assets held for trading (continued)

¹ Key terms of convertible debenture and valuation methodology

- Convertible Debenture with an aggregate principal of CAD\$2,000,000.
- Interest rate of 8% per annum, receivable quarterly in arrears throughout the life of the convertible debenture
- Convertible notes may be converted into shares at CAD\$0.5777 per share.
- For every one share issued on conversion of the convertible debenture, MMJ will be issued one Warrant (with an exercise price equal to 150% of the conversion price of the debentures and an expiry date 3 years from their date of issue).

Black-Scholes option pricing model was adopted to value the equity component of the convertible debentures:

- Volatility: 80%
- Underlying share price CAD\$0.94 was used as this was the price of the most recent capital raising conducted by Weed Me Inc.
- Risk free rate: 2.0%

The fair value of convertible debenture as at 30 June 2018 consist of:

- The equity component of the convertible debenture is AUD\$1,801,311,
- The debt value of the convertible debenture is AUD\$255,244, and
- The value of the attaching warrant at 30 June 2018 is AUD\$1,777,495.

Refer to note 24 for further information on fair value measurement.

Accounting policy - Valuation principles

MMJ's general approach to valuations includes valuing assets in accordance with accounting standards and best practice principles, which currently is to value assets at net market value.

Securities comprise listed securities, unlisted securities and derivative securities. Securities are recorded at fair value through the profit or loss upon initial recognition as the investments are classified as held for trading (i.e. held for trading for 12-24 months, to comply with AASB139 FVTPL). Costs incidental to the acquisition, conversion or disposal of securities and subsidiaries are recognised in the Profit or Loss when incurred.

After initial recognition, securities are measured at fair value as they are managed and their performance evaluated on a fair value basis in accordance with MMJ's Investment Strategy.

Unrealised gains or losses on securities are recognised through Profit or Loss and represent:

- i. Movements in the fair value of securities which are held as at the end of the reporting period.
- ii. Unrealised gains or losses on securities which are held as at the end of the reporting period are calculated as the difference between the fair value at the end of current reporting period and the fair value at the end of previous reporting period or the date the securities are acquired.
- iii. Reversal of any life-to-date unrealised gains or losses as at the previous reporting period in connection with any securities that have been sold, restructured, settled or terminated in the current reporting period.
- iv. Realised gains and losses on securities are recognised through Profit or Loss upon the sale, restructure, settlement or termination of securities and are calculated as the difference between the settlement amount and the fair value upon initial recognition.

Purchases and sales of securities that require delivery of securities within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date that MMJ commits to purchase or sell the securities.

Note 13. Current assets - Biological assets

The consolidated entity's biological assets consist of seeds and medical cannabis plants. The continuity of biological assets for the years ended 30 June 2018 and 2017 are as follows:

	Consolidated	
	2018	2017
	\$'000	\$'000
Biological asset - seeds and medical cannabis plants	-	81

Accounting policy for biological assets

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

Note 14. Non-current assets - property, plant and equipment

	Consolidated	
	2018	2017
	\$'000	\$'000
Land	-	432
Buildings	-	3,842
Less: Accumulated depreciation	-	(192)
	-	3,650
Leasehold improvements	24	3,103
Less: Accumulated depreciation	(1)	(990)
	23	2,113
Plant and equipment	-	2,217
Less: Accumulated depreciation	-	(321)
	-	1,896
Office equipment	38	199
Less: Accumulated depreciation	(6)	(38)
	32	161
	55	8,252

Note 14. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land \$'000	Buildings \$'000	Leasehold improvement \$'000	Plant and equipment \$'000	Office equipment \$'000	Total \$'000
Balance at 1 July 2016	-	812	3,135	2,595	33	6,575
Additions	432	2,636	74	-	155	3,297
Disposals	-	-	-	(277)	-	(277)
Exchange differences	-	(28)	(53)	(162)	-	(243)
Transfers in/(out)	-	345	(345)	-	-	-
Depreciation expense	-	(115)	(698)	(260)	(27)	(1,100)
Balance at 30 June 2017	432	3,650	2,113	1,896	161	8,252
Additions	-	-	1,705	35	24	1,764
Transfer out due to loss of control in Harvest One	(432)	(3,530)	(3,398)	(1,758)	(135)	(9,253)
Depreciation expense	-	(120)	(397)	(173)	(18)	(709)
Balance at 30 June 2018	-	-	23	-	32	55

Refer to note 24 for further information on fair value measurement.

Accounting policy for property, plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

The depreciable amount of all fixed assets is depreciated on a declining balance basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

Plant and equipment	20%
Office Equipment	20%
Buildings	4%
Leasehold improvements	Straight line over lease term

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 15. Non-current assets - intangibles

	Consolidated	
	2018	2017
	\$'000	\$'000
Website - at cost	-	32
Less: Accumulated amortisation	-	(1)
	-	31
Other intangible assets - Duncan facility license	-	8,630
	-	8,661

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	License	Website	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2016	8,932	-	8,932
Additions	-	32	32
Exchange differences	(302)	-	(302)
Amortisation expense	-	(1)	(1)
Balance at 30 June 2017	8,630	31	8,661
Additions	-	10	10
Transfers out due to loss of control in Harvest One	(8,630)	(40)	(8,670)
Amortisation expense	-	(1)	(1)
Balance at 30 June 2018	-	-	-

Accounting policy for intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at costs less accumulated amortisation and accumulated impairment losses.

Other intangible assets are amortised on a straight line basis the profit or loss over their estimated useful lives, from the date that they are available for use. As the other intangible asset is a License and albeit that the License may need to be renewed periodically, it is expected that the License will effectively have an indefinite life.

Website

Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 16. Non-current assets - Goodwill

	Consolidated	
	2018	2017
	\$'000	\$'000
Goodwill - at cost	-	4,822
Exchange Difference	-	(87)
	-	4,735

Note 16. Non-current assets - Goodwill (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	United Greeneries Holdings Ltd \$'000	Satipharm AG \$'000	Total \$'000
Balance at 1 July 2016	2,566	2,256	4,822
Exchange differences	(5)	(82)	(87)
Balance at 30 June 2017	2,561	2,174	4,735
Transfers out due to loss of control in Harvest One	(2,561)	(2,174)	(4,735)
Balance at 30 June 2018	-	-	-

Accounting policy for goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i) the consideration transferred;
 - ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
 - iii) the acquisition date fair value of any previously held equity interest;
- over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the consolidated entity holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The consolidated entity can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the consolidated entity determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the consolidated entity's cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Note 17. Current liabilities - trade and other payables

	Consolidated	
	2018	2017
	\$'000	\$'000
Trade payables	58	586
Accrued expenses	35	305
Payroll liabilities	57	241
Other payables	240	-
	<u>390</u>	<u>1,132</u>

Refer to note 23 for further information on financial instruments.

Accounting policy for trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Note 18. Current liabilities - Deferred consideration

	Consolidated	
	2018	2017
	\$'000	\$'000
Current	<u>-</u>	<u>1,992</u>

Pursuant to the terms and conditions of the Amalgamation Agreement between the Company and MMJ Bioscience Inc. dated 19 May 2015 for the acquisition of 100% of the issued capital of MMJ Bioscience Inc. which was completed during the period, the Company has recognised a liability in respect of the potential future issue of up to 17,000,000 shares to the vendors MMJ Bioscience Inc. upon the satisfaction of the following performance milestones:

a) up to a total of 8,500,000 Company Shares in the event that a facility controlled by MMJ Bioscience Inc. or one of its subsidiaries is granted a cultivation licence under the Marihuana for Medical Purposes Regulations in Canada (MMPR) within 12 months of Settlement ("Milestone 1 Consideration Shares"); and

b) up to a total of 8,500,000 Company Shares in the event that MMJ Bioscience Inc. and its subsidiaries (MMJ Group) generate in aggregate at least CAD\$5,000,000 in revenue from operating activities within 36 months of Settlement ("Milestone 2 Consideration Shares").

On 8 July 2016, Milestone One was achieved upon the successful grant of an MMPR cultivation license for Harvest One Duncan Facility and 8,500,000 fully paid ordinary shares were issued. The consolidated entity was previously granted an ASX waiver in relation to the issue of deferred consideration shares in relation to the delayed timing of the issue of shares from shareholder approval.

On 19 May 2018 (that is 36 months after the settlement), the consolidated entity has not generated in aggregate at least CAD\$5,000,000 in revenue from operating activities, as a result, Milestone 2 consideration shares would not be issued. The deferred consideration recognised in the prior year was credited back in the statement of profit or loss and other comprehensive income.

Note 19. Equity - contributed equity

		2018 Shares	Consolidated 2017 Shares	2018 \$'000	2017 \$'000
Ordinary shares - fully paid		<u>221,398,985</u>	<u>208,932,100</u>	<u>49,064</u>	<u>44,954</u>
<i>Movements in ordinary share capital</i>					
Details	Date	Shares	Issue price	\$'000	
Balance	1 July 2016	161,926,147		32,706	
Issue of 1st milestone deferred payment for the acquisition of MMJ Bioscience Inc.	8 July 2016	8,500,000	\$0.275	2,338	
Merger introducer fee shares	8 July 2016	255,000	\$0.275	70	
Conversion of Class D performance rights	8 July 2016	1,000,000	\$0.300	300	
Placement	11 October 2016	19,512,196	\$0.205	4,000	
Conversion of Class A performance rights	30 December 2016	83,334	-	3	
Conversion of Class B performance rights	30 December 2016	83,334	-	-	
Exercise of Options	15 March 2017	2,250,000	\$0.36	810	
Exercise of Options	15 March 2017	112,500	\$0.27	30	
Exercise of Options	15 March 2017	500,000	\$0.24	120	
Exercise of Options	22 March 2017	724,590	\$0.45	326	
Exercise of Options	22 March 2017	1,700,000	\$0.36	612	
Exercise of Options	29 March 2017	550,000	\$0.36	198	
Exercise of Options	29 March 2017	2,500,000	\$0.20	500	
Exercise of Options	29 March 2017	150,000	\$0.40	60	
Exercise of Options	29 March 2017	1,070,000	\$0.45	482	
Exercise of Options	5 April 2017	183,333	\$0.40	73	
Exercise of Options	5 April 2017	655,000	\$0.45	295	
Exercise of Options	5 April 2017	2,537,500	\$0.36	914	
Exercise of Options	5 April 2017	500,000	\$0.24	120	
Exercise of Options	3 May 2017	2,341,666	\$0.36	843	
Exercise of Options	3 May 2017	197,500	\$0.27	53	
Exercise of Options	9 June 2017	600,000	\$0.20	120	
Exercise of Options	9 June 2017	1,000,000	\$0.24	240	
Capital raising costs	14 October 2016	-	-	(259)	
Balance	30 June 2017	208,932,100		44,954	
Exercise of Options	11 September 2017	1,000,000	\$0.20	200	
Exercise of Options	15 November 2017	1,500,000	\$0.20	300	
Exercise of Options	15 November 2017	98,750	\$0.27	26	
Exercise of Options	12 December 2017	1,000,000	\$0.20	200	
Exercise of Options	12 December 2017	56,250	\$0.27	15	
Exercise of Options	29 December 2017	500,000	\$0.20	100	
Exercise of Options	12 January 2018	786,885	\$0.45	354	
Exercise of Options	12 January 2018	250,000	\$0.45	113	
Exercise of Options	12 January 2018	1,000,000	\$0.24	240	
Exercise of Options	1 February 2018	900,000	\$0.20	180	
Exercise of Options	1 February 2018	250,000	\$0.45	113	
Conversion of Class E, F, G performance rights	2 March 2018	4,500,000	-	2,115	
Conversion of Class E performance rights	2 March 2018	125,000	-	54	
Exercise of Options	12 April 2018	500,000	\$0.20	100	
Balance	30 June 2018	<u>221,398,985</u>		<u>49,064</u>	

Note 19. Equity - contributed equity (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Preference shares

Preference shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held, with priority over ordinary shareholders.

Preference shares do not have any voting rights.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2017 Annual Report.

Accounting policy for contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 20. Equity - reserves

	Consolidated	
	2018	2017
	\$'000	\$'000
Foreign currency reserve	-	503
Options reserve	5,342	4,376
Other reserves	-	11,540
Performance rights reserve	4,011	998
	<u>9,353</u>	<u>17,417</u>

Note 20. Equity - reserves (continued)

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Options reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency reserve \$'000	Other reserves \$'000	Options reserve \$'000	Performance rights reserve \$'000	Total \$'000
Balance at 1 July 2016	242	-	3,580	1,301	5,123
Foreign currency translation	261	-	-	-	261
Revaluation of performance rights	-	-	-	(303)	(303)
Shared based payments	-	893	796	-	1,689
Acquired through reverse acquisition	-	2,760	-	-	2,760
Net gain on Harvest One transaction	-	7,887	-	-	7,887
Balance at 30 June 2017	503	11,540	4,376	998	17,417
Cash received for performance rights	-	-	-	2	2
Conversion of Performance rights	-	-	-	(2,169)	(2,169)
Cancellation of performance rights	-	-	-	(815)	(815)
Shared based payments	-	1,800	966	5,995	8,761
Movement due to deconsolidation of Harvest One and PTL	(503)	(13,340)	-	-	(13,843)
Balance at 30 June 2018	-	-	5,342	4,011	9,353

Note 21. Equity - non-controlling interest

In early 2018, Harvest One completed a capital raising on 31 January 2018 and announced a mandatory conversion of all outstanding debentures on 26 February 2018, resulting in MMJ's shareholding being diluted to approximately 36% of HV1's total outstanding shares. Concurrently on 26 February 2018, Andreas Gedeon resigned as Managing Director of MMJ but retained his directorship of Harvest One. Management concluded these two events resulted in the loss of control of Harvest One as MMJ no longer has majority ownership or majority representation on the Board of Harvest One. Management have adopted 28 February 2018 as the loss of control date of Harvest One.

For accounting purposes, the consolidated entity does not have any non-controlling interest upon deconsolidation of Harvest One.

Note 22. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 23. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

	Consolidated	
	2018	2017
	\$'000	\$'000
Financial Assets		
Cash and Cash equivalents	1,347	23,801
Trade and other receivables	110	434
Financial assets held for trading	63,091	-
Other non-current assets	-	37
Total financial assets	<u>64,548</u>	<u>24,272</u>
Financial Liabilities		
Trade and other payables	390	1,132
Contingent Consideration	-	1,992
Total financial liabilities	<u>390</u>	<u>3,124</u>

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity maintains a bank account denominated in Canadian dollars (CAD), thus the consolidated entity is exposed to diminution of cash balances through currency exchange risk.

The consolidated entity manages its currency risks by closely monitoring exchange rate fluctuations. The following table shows the foreign currency risk on the financial assets and liabilities of the consolidated entity's operations denominated in currencies other than the functional currency of the operations. The foreign currency risk in the books of the parent entity is considered immaterial and is therefore not shown.

Sensitivity analysis

The following table illustrates sensitivities to the consolidated entity's exposures to changes in exchange rates in relation to its cash held in foreign currency and investments held in foreign currency. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

Note 23. Financial instruments (continued)

		AUD strengthened			AUD weakened	
		Effect on profit before tax \$'000	Effect on equity \$'000		Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated - 2018	% change			% change		
AUD / CAD	(10%)	<u>(6,242)</u>	<u>(6,242)</u>	10%	<u>6,242</u>	<u>6,242</u>
		AUD strengthened			AUD weakened	
		Effect on profit before tax \$'000	Effect on equity \$'000		Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated - 2017	% change			% change		
AUD / USD	(10%)	(25)	(25)	10%	25	25
AUD / CAD	(10%)	(1,410)	(1,410)	10%	1,410	1,410
AUD / NIS	(10%)	(7)	(7)	10%	7	7
AUD / CHF	(10%)	(2)	(2)	10%	2	2
AUD / EUR	(10%)	<u>(16)</u>	<u>(16)</u>	10%	<u>16</u>	<u>16</u>
		<u>(1,460)</u>	<u>(1,460)</u>		<u>1,460</u>	<u>1,460</u>

Price risk

The consolidated entity is exposed to price risk in relation to its investment in Harvest One which is quoted on Toronto Stock Exchange. The fair value of investment in Harvest One was \$42,256,000 as at 30 June 2018.

The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible based on Harvest One historical volatility.

	Share price	Share price increase			Share price decrease	
		Effect on profit before tax \$'000	Effect on equity \$'000		Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated - 2018	%			%		
Harvest One share price	50	<u>21,128</u>	<u>21,128</u>	(50)	<u>(21,128)</u>	<u>(21,128)</u>

Interest rate risk

As the consolidated entity's major assets are cash deposits held in fixed and variable interest rate deposits. The consolidated entity's income and operating cash flows are materially exposed to changes in market interest rates. The consolidated entity manages this risk by only investing in A+ rated institutions and maintaining an appropriate mix between different terms.

The Group's borrowings are on fixed interest rates. Interest rate risk is managed by ensuring that total interest rate cover is well in excess of minimum bank covenant requirements, to ensure the Group retains a high level of flexibility to absorb any adverse movements in interest rates.

Note 23. Financial instruments (continued)

At reporting date, the Group had the following exposure to variable interest rate risk.

	2018 Balance \$'000	2017 Balance \$'000
Consolidated		
Financial assets		
Cash and cash equivalents		
Australia	1,023	9,265
Israel	-	320
Canada	324	14,036
Switzerland	-	180
Net exposure to cash flow interest rate risk	<u>1,347</u>	<u>23,801</u>

The following table illustrates sensitivities to the consolidated entity's exposures to changes in interest rates. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Interest rate	Interest rate increase Effect on profit before tax \$'000	Effect on equity \$'000	Interest rate decrease	Interest rate decrease Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated - 2018	%			%		
interest rates	1	<u>13</u>	<u>13</u>	(1)	<u>(13)</u>	<u>(13)</u>

	Interest rate	Interest rate increase Effect on profit before tax \$'000	Effect on equity \$'000	Interest rate decrease	Interest rate decrease Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated - 2017	%			%		
interest rates	1	<u>79</u>	<u>79</u>	(1)	<u>(79)</u>	<u>(79)</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity.

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the consolidated entity, credit terms are generally 14 to 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating. Where the consolidated entity is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Note 23. Financial instruments (continued)

Trade receivables are recorded at the invoiced amount. The consolidated entity does not have any off-balance-sheet credit exposure related to the customers. The credit risk of the consolidated entity arises from cash and cash equivalents, deposits with banks and financial institutions, available-for-sale financial assets, as well as credit exposure to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum Standard & Poor's credit rating of A (or equivalent) are accepted. The Group assesses credit risk and allowance for doubtful accounts on a customer specific basis. The consolidated entity has adopted the policy of only dealing with credit worthy counterparties. As of 30 June 2018, the consolidated entity does not have an allowance for doubtful debt accounts.

The maximum credit risk exposure of the Group at 30 June 2018 is \$110,000 (2017: \$434,000). There are no impaired receivables at 30 June 2018.

The consolidated entity's maximum exposures to credit risk at the reporting date in relation to each class of recognised financial asset is the carrying amount, net of any provision for doubtful debts, of those assets as indicated in the statement of financial position.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Prudent liquidity risk management is managed through:

- maintaining sufficient cash;
- prudent oversight of future funding requirements;
- maintaining ongoing contact to facilitators of further funding; and
- only investing surplus cash with major financial institutions.

It is the consolidated entity's policy to review the Group's liquidity position including cash flow forecasts, actual cash flows and variation reports regularly to determine the forecast liquidity position and maintain appropriate liquidity levels.

The consolidated entity funds its activities through capital raising in order to limit its liquidity risk. The consolidated entity does not have any unused credit facilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2018	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	390	-	-	-	390
Total non-derivatives		390	-	-	-	390

Note 23. Financial instruments (continued)

Consolidated - 2017	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,132	-	-	-	1,132
Total non-derivatives		1,132	-	-	-	1,132

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 24. Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Financial assets held for trading</i>				
Listed investments	42,256	-	-	42,256
Unlisted investments	-	8,033	8,968	17,001
Convertible debenture receivable	-	-	3,834	3,834
Total assets	42,256	8,033	12,802	63,091

There were no transfers between levels during the financial year.

Level 2 observable input for investment in PhytoTech Therapeutics refers to sale price as per share sale contract between MMJ (seller) and Harvest One (purchaser) executed on 25 June 2018.

Level 3 financial assets held for trading unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range	Sensitivity
Unlisted investments	Share price from latest capital raising	Share price	Decrease share price on last equity issue decreases fair value
Convertible debenture receivable	Share price Volatility	Share price Volatility	Decrease share price decrease fair value Increase volatility significantly increase or decrease fair value

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 24. Fair value measurement (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value in active market (Level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The Company values its investments in accordance with the accounting policies set out in Note 2 of the financial statements. For the majority of its investments, the Company relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Company is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Company holds derivatives with offsetting market risks, it uses midmarket prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of recent share price from capital raising and option pricing models that provides a reliable estimate of prices obtained in actual market transactions.

For option pricing models, inputs are based on available market data. Fair values for unquoted equity investments are estimated, using the latest share price from capital raising. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

Note 25. Key management personnel disclosures

Directors

The following persons were directors of MMJ PhytoTech Limited during the financial year:

Peter Wall	Non-executive Chairman
Winton Willesee	Non-executive Director
Doug Halley	Non-executive Director (appointed 16 March 2018)
Andreas Gedeon	Managing Director (resigned 26 February 2018)
Jason Bednar	Non-executive Director (resigned 16 March 2018)

Note 25. Key management personnel disclosures (continued)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Will Stewart	Director of Harvest One (ceased to be a key management personnel on 28 February 2018 – date of deconsolidation of Harvest One)
Jason Conroy	CEO of the Group (appointed 26 February 2018)
Jim Hallam	CFO of the Group (appointed 3 April 2018)
Catherine Harvey	COO of the Group (resigned 13 July 2018)
Lisa Dea	CFO - Harvest One Cannabis Inc (ceased to be a key management personnel on 28 February 2018 – date of deconsolidation of Harvest One)
Graham Whitmarsh	COO - Harvest One Cannabis Inc (resigned 15 January 2018)
Daniela Vaschi	CEO – United Greeneries (ceased to be a key management personnel on 28 February 2018 – date of deconsolidation of Harvest One)
Nick Maltchev	CTO - Harvest One Cannabis Inc (ceased to be a key management personnel on 28 February 2018 – date of deconsolidation of Harvest One)
Daphna Heffetz	CEO – PhytoTech Therapeutics Ltd (resigned 31 December 2017)
Stanislav Sologubov	CEO – Satipharm AG (ceased to be a key management personnel on 28 February 2018 – date of deconsolidation of Harvest One)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2018	2017
	\$	\$
Short-term employee benefits	1,631,051	1,672,905
Long-term benefits	102,874	80,447
Termination benefits	119,376	-
Share-based payments	8,086,992	2,025,632
	<u>9,940,293</u>	<u>3,778,984</u>

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the company, and its network firms:

	Consolidated	
	2018	2017
	\$	\$
<i>Audit services - BDO Audit (WA) Pty Ltd</i>		
Audit or review of the financial statements	89,942	173,675
<i>Other services - BDO Corporate Tax Pty Ltd</i>		
Preparation of the tax return	47,630	60,522
	<u>137,572</u>	<u>234,197</u>
<i>Audit services - network firms</i>		
Audit or review of the financial statements	164,397	214,363
<i>Other services - network firms</i>		
Preparation of the tax return	-	11,098
Tax advise	-	25,811
	-	36,909
	<u>164,397</u>	<u>251,272</u>

Note 27. Contingent assets and liabilities

The consolidated entity had no contingent assets and liabilities as at 30 June 2018 (2017: Nil).

Note 28. Commitments

	Consolidated	
	2018	2017
	\$'000	\$'000
<i>Lease commitments - operating*</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	78	214
One to five years	144	686
More than five years	-	147
	<u>222</u>	<u>1,047</u>
<i>Research and Development Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	302
<i>Operating commitments - other</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	564
One to five years	-	2,971
	<u>-</u>	<u>3,535</u>

Note 28. Commitments (continued)

*The operating lease is for Sydney head office accommodation (expiring in April 2021, total commitments as at 30 June 2018 is \$221,724).

The Group has no other commitments for expenditure at 30 June 2018.

Note 29. Related party transactions

(a) Key Management Personnel

The following persons were Directors of MMJ PhytoTech Limited during the period ended 30 June 2018:

- Peter Wall (Non-executive Chairman)
- Winton Willesee (Non-executive Director)
- Doug Halley (Non-executive Director - appointed 16 March 2018)
- Andreas Gedeon (Managing Director - resigned 26 February 2018)
- Jason Bednar (Non-executive Director - resigned 16 March 2018)

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

(b) Transactions with related parties

The Board policy in determining the nature and amount of compensation and discussion of the relationship between the Board's policy and the entity's performance are provided in the remuneration report section of the Directors' report.

	Consolidated	
	2018	2017
	\$	\$
Director fees paid		
Director fees paid to Peregrine Consulting Ltd, an entity related to Andreas Gedeon	188,473	345,196
Director fees paid to Azalea Consulting Pty Ltd, an entity related to Mr Winton Willesee	42,000	36,000
Director fees paid to Jason Bednar	49,878	42,056
Director fees paid to Ross McKay	-	3,000
Director fees paid to Doug Halley	15,750	-
Director fees paid to Pheakes Pty Ltd, an entity related to Mr Peter Wall	96,641	58,094
Director fees paid to Greenline Holdings Pty Ltd, an entity related to Andreas Gedeon	44,000	11,000

(c) Other transactions with Key Management Personnel

Other transactions with key management personnel and their related parties

During the reporting period, the consolidated entity engaged the services on the following related-parties on normal commercial terms and conditions no more favourable than those available to other parties:

Steinepreis Paganin, an entity associated with Mr Peter Wall, received payments totalling \$166,490 in relation to legal services provided to the consolidated entity. As at 30 June 2018, \$51,000 was payable to Steinepreis Paganin by the consolidated entity.

Azalea Consulting Pty Ltd, an entity associated with Mr Winton Willesee, received payments totalling \$70,465 in relation to front office administration and company secretarial services provided to the consolidated entity.

Doug Halley was appointed as the Chair of Audit and Risk Committee during the year. He was entitled to \$10,000 per annum. As at 30 June 2018, \$900 was payable by the consolidated entity.

There were no loans made to directors and other key management personnel of the consolidated entity during the year.

Note 29. Related party transactions (continued)

(d) The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2018	2017
	\$	\$
Current Payables:		
Amount owing to Pheakes Pty Ltd, an entity related to Mr Peter Wall	-	4,400
Amount owing to Steinepreis Paganin, an entity associated with Mr Peter Wall	51,000	9,303
Amount owing to Azalea Consulting Pty Ltd, an entity related to Mr Winton Willesee	-	9,580
Amount owing to Jason Bednar	-	3,000
Amount owing to Doug Halley	900	-

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2018	2017
	\$'000	\$'000
Profit/(Loss) after income tax	814	(2,054)
Total comprehensive profit/(loss)	814	(2,054)

Statement of financial position

	Parent	
	2018	2017
	\$'000	\$'000
Total current assets	42,549	9,329
Total assets	51,070	40,088
Total current liabilities	390	210
Total liabilities	1,290	210
Equity		
Contributed equity	49,064	44,954
Options reserve	5,342	4,375
Performance rights reserve	4,011	-
Accumulated losses	(8,637)	(9,451)
Total equity	49,780	39,878

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2017 and 30 June 2018.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2018.

Note 30. Parent entity information (continued)

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
PhytoTech Medical (UK) Ltd	United Kingdom	100%	100%
PhytoTech Therapeutics Ltd*	Israel	100%	100%
Harvest One Cannabis Inc.**	Canada	-	60%
United Greeneries Holdings Ltd**	Canada	-	60%
United Greeneries Ltd.**	Canada	-	60%
United Greeneries Operations Ltd**	Canada	-	60%
Satipharm AG**	Switzerland	-	60%
Satipharm Australia Pty Ltd**	Australia	-	60%

* On 25 June 2018 MMJ executed a share sale contract to sell 100% of PhytoTech Therapeutic Limited (PTL) to Harvest One. From 1 April 2018 PTL was fair valued according to the sale price as per contract. PTL was deconsolidated on 1 April 2018 due to MMJ being classified as an Investment Entity in accordance with AASB 10 Consolidated Financial Statements. As at 30 June 2018, the fair value of investment in PTL was \$8.03 million. The disposal of PTL is subject to MMJ shareholder approval on 28 September 2018 and regulatory approvals.

** In early 2018, Harvest One completed a capital raising on 31 January 2018 and announced a mandatory conversion of all outstanding debentures on 26 February 2018, resulting in MMJ's shareholding being diluted to approximately 36% of HV1's total outstanding shares. Concurrently on the 26 February 2018, Andreas Gedeon resigned as Managing Director of MMJ but retained his directorship of Harvest One. Management concluded these two events resulted in the loss of control of Harvest One as MMJ no longer has majority ownership or majority representation on the Board of Harvest One. Management have adopted 28 February 2018 as the deemed loss of control date of Harvest One. As at 30 June 2018, MMJ hold 53,333,333 shares in Harvest One with a fair value of \$42.26 million.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary with non-controlling interests in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Principal activities	Parent Ownership interest		Non-controlling interest Ownership interest	
			2018 %	2017 %	2018 %	2017 %
Harvest One	Canada	TSX-V Listed entity - with subsidiaries produce and distribute medical cannabis	-	59.96%	-	40.04%

Note 31. Interests in subsidiaries (continued)

Summarised financial information

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below and are before inter-company eliminations:

	28 February 2018 \$'000	2017 \$'000
<i>Summarised statement of financial position up to date of deconsolidation</i>		
Current assets	84,929	15,897
Non-current assets	9,319	8,092
Total assets	94,248	23,989
Current liabilities	1,490	883
Total liabilities	4,489	883
Net assets	<u>89,759</u>	<u>23,106</u>
<i>Summarised statement of profit or loss and other comprehensive income up to date of deconsolidation</i>		
Revenue	211	76
Expenses	(8,176)	(8,060)
Loss before income tax expense	(7,965)	(7,984)
Income tax expense	-	-
Loss after income tax expense	(7,965)	(7,984)
Other comprehensive income	-	-
Total comprehensive loss	<u>(7,965)</u>	<u>(7,984)</u>
<i>Statement of cash flows up to date of deconsolidation</i>		
Net cash used in operating activities	(5,766)	(4,029)
Net cash used in investing activities	(1,778)	(3,225)
Net cash from financing activities	74,602	20,644
Net increase in cash and cash equivalents	<u>67,058</u>	<u>13,390</u>
<i>Other financial information up to date of deconsolidation</i>		
(Loss)/Profit attributable to non-controlling interests	(3,954)	1,419
Accumulated non-controlling interests at the end of reporting period*	<u>-</u>	<u>11,810</u>

*Non-controlling interest at the start of the year was \$11.81 million and on deconsolidation NCI totaled \$61.78 million, which was deconsolidated. The movements to deconsolidation date were made up of NCI portion of profit and loss items related to Harvest One of \$3.95 million as well as equity issues through convertible debentures, warrants, options and capital raisings during the period to 28 February 2018 of \$53.92 million.

Note 32. Events after the reporting period

On 16 July 2018, the consolidated entity announced that it has invested CAD\$0.15 million for a 2.5% shareholding in privately-held Embark Health Inc as part of their CAD\$1 million seed funding round.

On 15 August 2018, the consolidated entity invested an additional CAD\$0.25 million in privately-held BevCanna as part of their CAD\$4 million funding round.

Note 32. Events after the reporting period (continued)

On 29 August 2018 the Company issued a notice of meeting to hold a meeting of shareholders to approve:

- a) The sale of PTL to Harvest One Cannabis
- b) The relisting of the Company as an investment entity as defined in the ASX Listing Rules (Investment Entity) and this constitutes a change in the nature of the Company's activities pursuant to ASX Listing Rule 11.1 whereby an "Investment Entity" is one whose principal activities relate to investing in listed or unlisted securities and whose objectives do not include exercising control over or managing any entity, or the business of any entity, in which it invests.
- c) The change of the name of the Company to "MMJ Group Holdings Limited."
- d) The Company issuing 1,000,000 Options to Douglas Halley who is a director of the Company

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 33. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2018	2017
	\$'000	\$'000
Profit/(loss) after income tax expense for the year	1,190	(14,144)
Adjustments for:		
Depreciation and amortisation	709	1,101
Share-based payments	7,937	3,143
Foreign exchange differences	(603)	(546)
Listing expense	-	804
Impairment of inventory	213	735
(Gain)/loss on contingent deferred consideration shares	(1,992)	729
Unrealised loss on revaluation of financial assets	13,275	-
Gain on changes in fair value of biological assets	(1,118)	-
Movement due to deconsolidation of Harvest One and PTL	(24,769)	-
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivable	324	(36)
(Increase)/decrease in inventories	(2,099)	208
Decrease/(Increase) in Biological assets	81	(81)
Increase in other assets	(2,017)	(2)
Increase/(decrease) in trade and other payables	(742)	518
Increase in other liabilities	1,344	-
Net cash used in operating activities	<u>(8,267)</u>	<u>(7,571)</u>

Note 34. Earnings per share

	Consolidated	
	2018	2017
	\$'000	\$'000
Profit/(loss) after income tax	1,190	(14,144)
Non-controlling interest	3,954	1,419
Profit/(loss) after income tax attributable to the owners of MMJ PhytoTech Limited	<u>5,144</u>	<u>(12,725)</u>

Note 34. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	214,595,798	189,668,913
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	4,970,891	-
Performance rights over ordinary shares	4,522,602	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>224,089,291</u>	<u>189,668,913</u>
	Cents	Cents
Basic earnings per share	2.40	(6.71)
Diluted earnings per share	2.30	(6.71)

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of MMJ PhytoTech Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 35. Share-based payments

The Group provided the following in the form of share-based payment transactions:

	Consolidated	
	2018	2017
	\$	\$
(a) New options issued to Directors	639,621	248,191
(b) Vesting of MMJ options issued in prior periods	326,643	547,913
(c) Cancellation of performance rights	(814,500)	-
(d) New performance rights issued by MMJ	5,994,844	-
(e) Share based payment from Harvest One	1,790,519	1,454,281
Share based payment on reverse acquisition	-	893,097
Total share-based payments	<u>7,937,127</u>	<u>3,143,482</u>

Note 35. Share-based payments (continued)

(a) New options issued to Directors

During the year, \$558,000 was recognised as share based payments made in respect of 1,500,000 class K options issued to Lisa Dea. The class K options vest and become exercisable over a period of three years from the date of issue (1 February 2018). Lisa Dea resigned as CFO of MMJ PhytoTech Limited during the year, however she maintained her employment with Harvest One Cannabis Inc. She was entitled to keep MMJ options under the original offer. The full valuation of the options was expensed as share based payments in accordance with AASB 2.

The fair value of the options was determined using the Black-Scholes option valuation methodology and applying the following inputs:

Exercise price \$0.35
Expiry date 31 October 2021
Issue date 1 February 2018
Risk free rate 2.13%
Volatility 100%
Total options issued 1,500,000
Total value of options \$558,000
Amount expensed in current period \$558,000

On 16 March 2018, Doug Halley was appointed as a Non-Executive Director of MMJ. Subject to shareholders approval, he will be issued with 1,000,000 options. These options will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these options started on the date of his appointment. As a result, \$81,621 was recognised as share based payment as at 30 June 2018.

The fair value of the options due to be issued to Doug Halley was determined using the Black-Scholes option valuation methodology and applying the following inputs:

Exercise price \$0.344
Expected expiry date 31 November 2021
Deemed issue date 16 March 2018
Risk free rate 2.03%
Volatility 100%
Total options to be issued 1,000,000
Total value of options \$270,000
Amount expensed in current period \$81,621
Amount to be expensed in future years \$188,379
Vesting conditions: 25% of the options shall vest at the end of each of the four successive six-month periods following the date of issue.

As vesting conditions apply to options due to be issued to Doug Halley, the cost is recognised over the period in which the service conditions are fulfilled, ending on the date on which the relevant employee become fully entitled to the award (the vesting period).

There were no other options issued to directors and other key management personnel during year ended 30 June 2018.

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised for the period. No cumulative expense is recognised for awards that ultimately do not vest (in respect of non-market vesting conditions).

Note 35. Share-based payments (continued)

(b) Vesting of MMJ options issued in prior period

During the year, \$326,643 was recognised as share based payments made in respect of MMJ options issued in prior years. The fair value of the options was determined using the Black-Scholes option valuation methodology and applying the inputs below.

	Class B Options ¹	Class C Option ²	Class D Options ³	Class D Options ⁴	Class H Options ⁵	Class I Options ⁶	Class J Options ⁷
Grant date	15/01/2015	01/04/2015	01/04/2015	29/06/2015	01/02/2016	06/06/2016	14/10/2016
Exercise price	\$0.20	\$0.31	\$0.40	\$0.40	\$0.27	\$0.24	\$0.24
Expire date	6 May 2019	6 May 2019	27 July 2018	27 July 2018	31 January 2020	6 June 2019	1 September 2020
Risk free rate	2.54%	2.01%	2.01%	2.8%	2.00%	2.00%	2.00%
Volatility	95%	95%	95%	93%	95%	95%	95%
Value per option	\$0.139	\$0.214	\$0.214	\$0.163	\$0.202	\$0.121	\$0.164
Total options issued	4,500,000	350,000	1,000,000	1,500,000	1,779,641	4,000,000	3,000,000
Total option on issue at 30 June 2018	-	350,000	1,000,000	1,500,000	620,891	1,000,000	3,000,000
Options vesting current period	1,125,000	116,666	250,000	500,000	192,797	2,000,000	1,000,000
Options vested prior periods	3,375,000	116,667	750,000	875,000	993,544	2,000,000	-
Options lapsed in prior years	-	-	-	-	(377,503)	-	-
Less options exercised	(4,500,000)	-	-	-	(155,000)	(3,000,000)	-
Less options expired / forfeited	-	-	-	-	(98,750)	-	-
Total options vested at 30 June 2018	-	350,000	1,000,000	1,375,000	555,088	1,000,000	1,000,000
Amount expensed in current period	\$15,350	\$4,428	\$4,585	\$25,562	\$20,881	\$91,247	\$164,589

¹Options vest over a period of 3 year of continuous employment from 15 January 2015, with one third vesting after the first 12 months, and the remaining two thirds vesting monthly after.

² The options vest quarterly over a period of 3 years of continuous employment.

³ The options vest quarterly over a period of 3 years of continuous employment.

⁴ The options vest quarterly over a period of 3 years of continuous employment.

⁵ The options vest quarterly over a period of 3 years of continuous employment.

⁶ The options vest every 6 months over a period of 2 years of continuous service.

⁷ The options vest annually over a period of 3 years of continuous service.

(c) Cancellation of performance rights

During 2018 financial year, 9,000,000 class C performance rights were lapsed and non-market vesting conditions were not met. As a result share-based payment recognised in prior year (\$814,500) was reversed in the current period statement of profit or loss and other comprehensive income.

(d) New performance rights issued by MMJ

On 12 December 2017, MMJ issued 4,125,000 Class E performance rights to certain Directors and Officers of the Company under the Company's Performance Rights Plan, as approved by shareholders at the AGM held on 29 November 2017. These performance rights were issued for total cash consideration of \$413, vesting upon continuous service until 31 December 2017 or 5 trading day VWAP reaches \$0.50 (50 cents).

Note 35. Share-based payments (continued)

MMJ issued 4,125,000 Class F performance rights to certain Directors and Officers of the Company under the Company's Performance Rights Plan, as approved by shareholders at the AGM held on 29 November 2017. These performance rights were issued for total cash consideration of \$413, vesting upon continuous service 30 June 2018 or 5 trading day VWAP reaches \$0.50 (50 cents).

MMJ issued 4,125,000 Class G performance rights to certain Directors and Officers of the Company under the Company's Performance Rights Plan, as approved by shareholders at the AGM held on 29 November 2017. These performance rights were issued for total cash consideration of \$413, vesting upon continuous service 31 December 2019 or 5 trading day VWAP reaches \$0.50 (50 cents).

All three classes of performance rights have achieved automatic vesting conditions, being 5 trading day VWAP reaches \$0.50 (50 cents). As a result, the consolidated entity recognised \$5,801,250 share-based payments expense in the consolidated statement of profit or loss and other comprehensive income.

On 3 March 2018, MMJ issued 2,000,000 Class H performance rights to Jason Conroy (CEO, MMJ PhytoTech Limited) under the Company's Performance Rights Plan, as approved by shareholders at the AGM held on 29 November 2017. These performance rights were issued for total cash consideration of \$200, vesting upon continuous service and 20-day VWAP of shares on the ASX being at or above \$0.60 (60 cents) on or before 2 March 2023.

MMJ issued 2,000,000 Class I performance rights to Jason Conroy (CEO, MMJ PhytoTech Limited) under the Company's Performance Rights Plan, as approved by shareholders at the AGM held on 29 November 2017. These performance rights were issued for total cash consideration of \$200, vesting upon continuous service and 20-day VWAP of shares on the ASX being at or above \$0.80 (80 cents) (as adjusted for any consolidation or reconstruction of the Company's capital) on or before 2 March 2023.

MMJ issued 2,000,000 Class J performance rights to Jason Conroy (CEO, MMJ PhytoTech Limited) under the Company's Performance Rights Plan, as approved by shareholders at the AGM held on 29 November 2017. These performance rights were issued for total cash consideration of \$200, vesting upon continuous service and 20-day VWAP of shares on the ASX being at or above \$1.00 (as adjusted for any consolidation or reconstruction of the Company's capital) on or before 2 March 2023.

On 15 June 2018, MMJ issued 833,333 Class H performance rights to Jim Hallam (CFO and Company Secretary, MMJ PhytoTech Limited) under the Company's Performance Rights Plan, as approved by shareholders at the AGM held on 29 November 2017. These performance rights were issued for total cash consideration of \$83, vesting upon continuous service and 20-day VWAP of shares on the ASX being at or above \$0.60 (60 cents) on or before 26 February 2023.

MMJ issued 833,333 Class I performance rights to Jim Hallam (CFO and Company Secretary, MMJ PhytoTech Limited) under the Company's Performance Rights Plan, as approved by shareholders at the AGM held on 29 November 2017. These performance rights were issued for total cash consideration of \$83, vesting upon continuous service and 20-day VWAP of shares on the ASX being at or above \$0.80 (80 cents) on or before 26 February 2023.

MMJ issued 833,334 Class J performance rights to Jim Hallam (CFO and Company Secretary, MMJ PhytoTech Limited) under the Company's Performance Rights Plan, as approved by shareholders at the AGM held on 29 November 2017. These performance rights were issued for total cash consideration of \$83, vesting upon continuous service and 20-day VWAP of shares on the ASX being at or above \$1.00 on or before 26 February 2023.

Note 35. Share-based payments (continued)

Set out below are summaries of performance rights granted under the plan:

2018						
Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
28/08/2014	18/11/2017	6,500,000	-	-	(6,500,000)	-
29/06/2015	18/11/2017	2,500,000	-	-	(2,500,000)	-
28/08/2014	18/11/2018	6,500,000	-	-	-	6,500,000
29/06/2015	18/11/2018	2,500,000	-	-	-	2,500,000
30/11/2017	12/12/2022	-	4,125,000	(1,625,000)	-	2,500,000
30/11/2017	12/12/2022	-	4,125,000	(1,500,000)	-	2,625,000
30/11/2017	12/12/2022	-	4,125,000	(1,500,000)	-	2,625,000
03/03/2018	02/03/2023	-	2,000,000	-	-	2,000,000
03/03/2018	02/03/2023	-	2,000,000	-	-	2,000,000
03/03/2018	02/03/2023	-	2,000,000	-	-	2,000,000
15/06/2018	26/02/2023	-	833,333	-	-	833,333
15/06/2018	26/02/2023	-	833,333	-	-	833,333
15/06/2018	26/02/2023	-	833,334	-	-	833,334
		<u>18,000,000</u>	<u>20,875,000</u>	<u>(4,625,000)</u>	<u>(9,000,000)</u>	<u>25,250,000</u>
Weighted average exercise price		\$0.141	\$-	\$-	\$0.05	\$0.05
2017						
Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
28/08/2014	18/11/2018	6,500,000	-	-	-	6,500,000
29/06/2015	18/11/2018	2,500,000	-	-	-	2,500,000
28/08/2014	18/11/2017	6,500,000	-	-	-	6,500,000
29/06/2015	18/11/2017	2,500,000	-	-	-	2,500,000
		<u>18,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,000,000</u>
Weighted average exercise price		\$0.141	\$-	\$-	\$-	\$0.141

Set out below are the performance rights exercisable at the end of the financial year:

Grant date	Vesting date	2018 Number	2017 Number
30/11/2017	31/12/2017	2,500,000	-
30/11/2017	31/12/2017	2,625,000	-
30/11/2017	31/12/2017	2,625,000	-
		<u>7,750,000</u>	<u>-</u>

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Note 35. Share-based payments (continued)

	Class	Total number of performance rights issued	Fair value price on grant date	Share based payments recognised as at 30 June 2018
Peter Wall ¹	Class E, F, G	4,500,000	\$0.47	\$2,115,000
Andreas Gedeon ¹	Class E, F, G	4,500,000	\$0.47	\$2,115,000
Winton Willesee ¹	Class E, F, G	1,500,000	\$0.47	\$705,000
Jason Bednar ¹	Class E, F, G	1,500,000	\$0.47	\$705,000
Jason Conroy ²	Class H, I, J	6,000,000	Class H: \$0.351 Class I: \$0.23 Class J: 0.147	\$189,973
Jim Hallam ³	Class H, I, J	2,500,000	Class H: \$0.127 Class I: \$0.063 Class J: 0.031	\$3,621
Others ¹	Class E, F, G	375,000	\$0.43	\$161,250
		20,875,000		\$5,994,844

¹The fair value of the Class E, F and G performance rights was determined after applying the inputs below.

	Class E	Class F	Class G
Number of rights issued to KMP	4,000,000	4,000,000	4,000,000
Number of rights issued to officer	125,000	125,000	125,000
Total number of rights issued	4,125,000	4,125,000	4,125,000
Valuation date	30 November 2017	30 November 2017	30 November 2017
Vesting conditions	Vesting upon continuous service until 31 December 2017 or 5 trading day VWAP reaches \$0.50 (50 cents)	Vesting upon continuous service 30 June 2018 or 5 trading day VWAP reaches \$0.50 (50 cents)	Vesting upon continuous service 31 December 2019 or 5 trading day VWAP reaches \$0.50 (50 cents)
Fair value per unit to KMP	\$0.47 (47 cents)	\$0.47 (47 cents)	\$0.47 (47 cents)
Fair value per unit to officer	\$0.43 (43 cents)	\$0.43 (43 cents)	\$0.43 (43 cents)
Expense for the period	\$1,933,750	\$1,933,750	\$1,933,750

²The fair value of the Class H, I and J performance rights issued to Jason Conroy was determined after applying the inputs below.

	Class H	Class I	Class J
Underlying share price	\$0.455	\$0.455	\$0.455
Exercise price	Nil	Nil	Nil
20-Day VWAP Barrier	\$0.60	\$0.80	\$1.00
Valuation date	2 March 2018	2 March 2018	2 March 2018
Vesting Period (years)	3.99	3.99	3.99
Volatility*	30%	30%	30%
Risk free rate	2.34%	2.34%	2.34%
Number of rights	2,000,000	2,000,000	2,000,000
Value per right	\$0.351	\$0.230	\$0.147
Value per Tranche	\$702,000	\$460,000	\$294,000
Value expense for the period	\$115,397	\$50,411	\$24,164

*This is VWAP specific volatility.

Note 35. Share-based payments (continued)

³The fair value of the Class H, I and J performance rights issued to Jim Hallam was determined after applying the inputs below.

	Class H	Class I	Class J
Underlying share price	\$0.315	\$0.315	\$0.315
Exercise price	Nil	Nil	Nil
20-Day VWAP Barrier	\$0.60	\$0.80	\$1.00
Valuation date	15 June 2018	15 June 2018	15 June 2018
Vesting Period (years)	3.70	3.70	3.70
Volatility*	30%	30%	30%
Risk free rate	2.13%	2.13%	2.13%
Number of rights	833,333	833,333	833,334
Value per right	\$0.127	\$0.063	\$0.031
Value per Tranche	\$105,833	\$52,500	\$25,833
Value expense for the period	\$2,540	\$795	\$286

*This is VWAP specific volatility.

Note 35. Share-based payments (continued)

(e) Reconciliation of options on issue

1 July 2016	Opening Balance	36,857,782
11 July 2016	Lapse of vested employee options	(213,750)
11 August 2016	Lapsed on cessation of employment	(666,667)
14 September 2016	Lapse of unvested options issued to key management personnel	(150,000)
1 October 2016	Lapse of vested employee options	(85,000)
14 October 2016	Issue options to directors – Class I exercisable at \$0.24 each expiring 6 June 2019	4,000,000
14 October 2016	Issue options to key management personnel – Class J exercisable at \$0.24 each expiring 1 September 2020	3,000,000
11 January 2017	Lapse of vested employee options	(71,250)
15 March 2017	Exercise of Options	(2,250,000)
15 March 2017	Exercise of Options	(112,500)
15 March 2017	Exercise of Options	(500,000)
15 March 2017	Lapse of vested employee options	(75,000)
22 March 2017	Exercise of Options	(724,590)
22 March 2017	Exercise of Options	(1,700,000)
29 March 2017	Exercise of Options	(550,000)
29 March 2017	Exercise of Options	(2,500,000)
29 March 2017	Exercise of Options	(150,000)
29 March 2017	Exercise of Options	(1,070,000)
5 April 2017	Exercise of Options	(183,333)
5 April 2017	Exercise of Options	(655,000)
5 April 2017	Exercise of Options	(2,537,500)
5 April 2017	Exercise of Options	(500,000)
3 May 2017	Exercise of Options	(2,341,666)
3 May 2017	Exercise of Options	(197,500)
9 June 2017	Exercise of Options	(600,000)
9 June 2017	Exercise of Options	(1,000,000)
30 June 2017	Closing Balance	25,024,026
1 July 2017	Opening Balance	25,024,026
12 September 2017	Exercise of Options	(1,000,000)
15 November 2017	Exercise of Options	(1,000,000)
15 November 2017	Exercise of Options	(98,750)
15 November 2017	Exercise of Options	(500,000)
12 December 2017	Exercise of Options	(1,000,000)
12 December 2017	Exercise of Options	(56,250)
28 December 2017	Exercise of Options	(500,000)
12 January 2018	Exercise of Options	(786,885)
12 January 2018	Exercise of Options	(250,000)
12 January 2018	Exercise of Options	(1,000,000)
1 February 2018	Exercise of Options	(900,000)
1 February 2018	Exercise of Options	(250,000)
1 February 2018	Issue options to key management personnel – Class K exercisable at \$0.35 each expiring 31 October 2021	1,500,000
8 March 2018	Lapse of Options on termination	(98,750)
12 April 2018	Exercise of Options	(500,000)
30 June 2018	Closing Balance	18,583,391

Note 35. Share-based payments (continued)

Terms and conditions of options on issue

Option class	Key Terms	Number of Options	
		2018	2017
Class B	Expiry 6/5/2019 @ \$0.20 Unlisted	-	3,900,000
Class C	Expiry 6/5/2019 @ \$0.31 Unlisted	350,000	350,000
Class D	Expiry 27/7/2018 @ \$0.40 Unlisted	2,500,000	2,500,000
Class E	Expiry 27/7/2018 @ \$0.20 Unlisted	-	1,500,000
Class F	Expiry 8/9/2018 @ \$0.45 Unlisted	7,075,000	8,361,885
Class G	Expiry 1/3/2019 @ \$0.36 Unlisted	2,537,500	2,537,500
Class H	Expiry 31/1/2020 @ \$0.27 Unlisted	620,891	874,641
Class I	Expiry 6/6/2019 @ \$0.24 Unlisted	1,000,000	2,000,000
Class J	Expiry 1/9/2020 @ \$0.24 Unlisted	3,000,000	3,000,000
Class K	Expiry 31/10/2021 @ \$0.35 Unlisted	1,500,000	-
		18,583,391	25,024,026

	2018		2017	
	No. of Options	Weighted average exercise price (\$)	No. of Options	Weighted average exercise price (\$)
Balance at beginning of period	25,024,026	\$0.182	36,857,782	\$0.310
Granted during the period	1,500,000	\$0.028	7,000,000	\$0.067
Exercised during the period	(7,841,885)	\$0.104	(17,572,089)	\$0.232
Expired during the period	(98,750)	\$0.001	(1,261,667)	\$0.017
Balance at the end of the period	18,583,391	\$0.078	25,024,026	\$0.182

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Note 35. Share-based payments (continued)

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 36. Changes to unaudited Preliminary Financial Report

On 30 August 2018 the consolidated entity released its unaudited preliminary financial report for the year ended 30 June 2018. Upon finalisation of the audit, due to the complexity of deconsolidation of Harvest One (decrease in gain on deconsolidation of Harvest One \$31.34 million), the accounting of share-based payments (decrease in expense \$1.03 million) and reversal of tax effect accounting from foreign subsidiary (decrease in income tax expense \$2.73 million), Net Assets increased by \$2.5 million (from \$61.25 million to \$63.75 million) and the profit attributable to the consolidated entity for the year decreased by \$27.82 million (from profit of \$29.01 million to \$1.19 million).

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Wall
Non-executive Chairman

21 September 2018

INDEPENDENT AUDITOR'S REPORT

To the members of MMJ PhytoTech Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MMJ PhytoTech Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loss of control of Harvest One

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in note 3 and 6 to the financial report, MMJ PhytoTech Ltd ("MMJ") lost control of its subsidiary Harvest One Cannabis Inc. ("HV1") during the financial year ended 30 June 2018 as MMJ's shareholding was diluted to 36% in HV1 due to HV1 issuing additional shares, the mandatory conversion of convertible debentures and the resignation of HV1 Director Andreas Gideon as the managing director of MMJ.</p> <p>MMJ's investment in HV1 was deconsolidated at the date of loss of control and equity accounted from a period of 28 February 2018 to 1 April 2018 until such time that the entity was reclassified as an Investment Entity.</p> <p>Following the classification of MMJ as an investment entity, MMJ's interest in HV1 has been accounted for as a financial asset held for trading.</p> <p>This is a key audit matter due to the significance of the event within the financial report and the material nature of the gain on disposal.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> performing cut-off procedures to assess the completeness and accuracy of the assets and liabilities de-recognised at the date of loss of control of HV1; assessing the fair value of the retained interest in HV1 at the date of deconsolidation to the trading price of HV1; re-performing the calculation of the gain on disposal by comparing the fair value of the retained interest to the carrying value of the identified assets and liabilities at the date of deconsolidation including the related non-controlling interest and other reserves relating to HV1; assessing the tax impact of HV1 on loss of control; and assessing the adequacy and accuracy of the disclosure of the transactions within the financial report including the reported gain on disposal, refer note 3 and 6.

Classification of Investment Entity and carrying value of investments

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in note 3, during the financial year ended 30 June 2018, MMJ PhytoTech Ltd ("MMJ") has been classified as an Investment Entity whose business purpose is to invest funds solely for returns via capital appreciation and/or investment returns. The entity is exempt from consolidating underlying investees it controls and equity accounting investees it has significant influence over, in accordance with AASB 10 <i>Consolidated Financial Statements</i> ("AASB 10").</p> <p>As the Company has been classified as an Investment Entity, the portfolio of investments has been accounted for as financial assets held for trading as disclosed in note 12. This has also resulted in its investment in its 100% subsidiary PhytoTech Therapeutics Ltd ("PTL") being deconsolidated and its investment in its associate HV1 being accounted for as a financial asset held for trading.</p> <p>This is a key audit matter due to the size of the balance and inherent judgement involved in determining whether the entity meets the criteria of an Investment Entity as required by AASB 10 and the judgements applied by MMJ in determining the fair value of investments.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> obtaining and assessing MMJ's position on meeting the requirements of the Investment Entity status in accordance with AASB 10 including the date the requirements were met; assessing the treatment of the deconsolidation of PTL and the determination of fair value of its interest in PTL at the date of deconsolidation; reviewing investments held as at 30 June 2018 and agreeing investments held to ownership documents; reviewing MMJ's assessment of fair value against the requirements of the relevant accounting standards, including agreeing costs and recalculating fair values at 30 June 2018; verifying the sales of investments during the year to supporting documentation; assessing MMJ's calculations of realised and unrealised gains or losses on its financial assets held for trading; involving our internal specialist in reviewing the appropriateness of MMJ's valuation of level 3 fair value instruments; and assessing the adequacy of the related disclosures in note 3, note 6, note 12 and note 24 to the financial report.

Measurement of Share Based Payments

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the financial year ended 30 June 2018, the Group issued incentive options and performance rights to key management personnel and employees, which have been accounted for as share based payments.</p> <p>Refer to note 35 of the financial report for a description of the accounting policy and the significant estimates and judgements applied to these arrangements.</p> <p>Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of the share-based payments in accordance with IFRS 2: Share Based Payments, we consider MMJ's calculation of the share-based payment expense to be a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share based payment arrangements; • reviewing MMJ's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation methodology used and assessing the inputs in conjunction with our valuation specialists; • assessing MMJ's determination of achieving non-market vesting conditions; • assessing the allocation of the share-based payment expense over MMJ's expected vesting period; and • assessing the adequacy of the related disclosures in note 35 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 24 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of MMJ PhytoTech Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd



Jarrad Prue
Director

Perth, 21 September 2018

The shareholder information set out below was applicable as at 10 September 2018.

1. Quotation

Listed securities in MMJ PhytoTech Limited are quoted on the Australian Securities Exchange under ASX code MMJ (Fully Paid Ordinary Shares).

2. Voting Rights

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

- (a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- (b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are voting rights attached to any Options or Performance Rights on issue.

3. Distribution of Shareholders

i) Fully Paid Ordinary Shares

Shares Range	Holders	Units	%
1 – 1,000	1,423	1,109,735	0.48
1,001 – 5,000	7,728	20,715,510	9.00
5,001 – 10,000	2,924	23,360,805	10.15
10,001 – 100,000	3,517	100,499,365	43.67
100,001 and above	222	84,463,570	36.70
Total	15,814	230,148,985	100.00%

On 10 September 2018, there were 3,886 holders with an unmarketable holding, with total shareholding of 4,681,369, amounting to 2.03% of issued capital.

ii) Class D Performance Rights expiring on or before 21 January 2019

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	1	83,334	0.93
100,001 and above	6	8,916,666 ¹	99.07
Total	7	9,000,000	100.00%

¹Holders who hold more than 20% of securities are:

International Water & Energy Savers Ltd – 2,500,000 performance rights

Ross Henry Smith <The Mohaka Capital A/C> – 2,500,000 performance rights

Red Apple Superannuation Pty Ltd <Red Apple Super Fund A/C> – 1,875,000 performance rights

iii) **Class H Performance Rights expiring on or before 26 February 2023**

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	2	2,833,333 ¹	100.00
Total	2	2,833,333	100.00%

¹Holders who hold more than 20% of securities are:
K and J Conroy Pty Ltd (K and J Conroy A/C) – 2,000,000 performance rights
Jim Hallam – 833,333 performance rights

iv) **Class I Performance Rights expiring on or before 26 February 2023**

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	2	2,833,333 ¹	100.00
Total	2	2,833,333	100.00%

¹Holders who hold more than 20% of securities are:
K and J Conroy Pty Ltd (K and J Conroy A/C) – 2,000,000 performance rights
Jim Hallam – 833,333 performance rights

v) **Class J Performance Rights expiring on or before 26 February 2023**

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	2	2,833,334 ¹	100.00
Total	2	2,833,334	100.00%

¹Holders who hold more than 20% of securities are:
K and J Conroy Pty Ltd (K and J Conroy A/C) – 2,000,000 performance rights
Jim Hallam – 833,333 performance rights

vi) **Class C Options exercisable at \$0.31 on or before 6 May 2019**

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	350,000 ¹	100.00
Total	1	350,000	100.00%

¹Holders who hold more than 20% of securities are:
ESOP Management & Trust Services Ltd – 350,000 options

vii) **Class G Options exercisable at \$0.36 on or before 1 March 2019**

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	2	2,537,500 ¹	100.00
Total	2	2,537,500	100.00%

¹Holders who hold more than 20% of securities are:
Cazadores Investments Pty Ltd – 1,268,750 options
Three Bridge Capital Pty Ltd – 1,268,750 options

viii) **Class H Options exercisable at \$0.27 on or before 31 January 2020**

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	2	110,891	17.86
100,001 and above	2	510,000 ¹	82.14
Total	4	620,891	100.00%

¹Holders who hold more than 20% of securities are:
Daniela Vaschi – 285,000 options
Mikael Alexander Rykes – 225,000 options

ix) **Class J Options exercisable at \$0.24 on or before 1 September 2020**

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	3,000,000 ¹	100.00
Total	1	3,000,000	100.00%

¹Holders who hold more than 20% of securities are:
Catherine Harvey – 3,000,000 options

x) **Class K Options exercisable at \$0.35 on or before 31 October 2021**

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	1,500,000 ¹	100.00
Total	1	1,500,000	100.00%

¹Holders who hold more than 20% of securities are:
Lisa Dea – 1,500,000 options

4. Substantial Shareholders

There are no substantial shareholders listed on the Company's register as at 10 September 2018.

5. Restricted Securities

There are no restricted securities listed on the Company's register as at 10 September 2018.

6. On market buy-back

There is currently no on market buy back in place.

7. Twenty Largest Shareholders

The twenty largest shareholders of the Company's quoted securities as at 10 September 2018 are as follows:

Position	Holder Name	Holding	%
1	PHEAKES PTY LTD <SENATE A/C>	8,500,000	3.69%
2	CITICORP NOMINEES PTY LIMITED	5,612,500	2.44%
3	INTERNATIONAL WATER & ENERGY SAVERS LTD	5,281,100	2.29%
4	GREENLINE HOLDINGS PTY LTD	3,759,699	1.63%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,703,085	1.17%
6	UNITED TROLLEY COLLECTIONS P/L	2,700,400	1.17%
7	GUIDO WIESMANN	1,939,402	0.84%
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,839,909	0.80%
9	BOND STREET CUSTODIANS LIMITED <SHBC1 - V13134 A/C>	1,600,000	0.70%
10	JASON BEDNAR	1,500,000	0.65%
10	SILVERINCH PTY LIMITED <THE SILVERINCH S/F A/C>	1,500,000	0.65%
11	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,157,064	0.50%
12	MR WON JUN CHUNG	1,080,000	0.47%
13	JASON BEDNAR	1,026,522	0.45%
14	STONE SUPERANNUATION INVESTMENTS PTY LTD <THE STONE SUPER FUND A/C>	900,000	0.39%
15	HENRIK SCHREIBER	764,117	0.33%
15	MAURUS REISENTHIEL	764,117	0.33%
16	MR LUKE JOHN TEUMA	756,450	0.33%
17	ELYSIUM PACIFIC SOLUTIONS INC	705,326	0.31%
18	BNP PARIBAS NOMS PTY LTD <DRP>	701,660	0.30%
19	SUZANNE O'DONOGHUE	603,761	0.26%
20	MS CHO YIN PANG & MR BERTY CHUNG	550,000	0.24%
20	DIFFERENT BEAT PTY LTD <E&M SUPERANNUATION A/C>	550,000	0.24%
	Total	46,495,112	20.20%
	Total issued capital - selected security class(es)	230,148,985	100.00%