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ASX RELEASE

25 June 2018

Disposal of PTL and MMJ becoming an Investment Entity

MMJ PhytoTech Limited (**ASX: MMJ**) (**MMJ** or the **Company**) is pleased to advise that it has entered into a binding share sale agreement (**SSA**) pursuant to which it has conditionally agreed to sell its wholly-owned subsidiary PhytoTech Therapeutics Ltd (**PTL**) to Harvest One Cannabis Inc. (TSXV:HVT) (**HVT**) for a maximum total consideration of CAD\$8 million (**Disposal**).

The Disposal will be conditional upon (amongst other things) MMJ seeking all necessary shareholder and regulatory approvals required to undertake the Disposal.

ASX has advised that it considers that the Disposal will result in MMJ and the business which remains becoming an Investment Entity (defined below) and will therefore amount to a significant change in the nature of the Company's current activities. As such, MMJ will be required to obtain approval from its shareholders and to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

In the event the Company **does not** obtain shareholder approval for the Disposal and the re-compliance conditions in Chapters 1 and 2 of the ASX Listing Rules are not met, the Disposal will not proceed and the Company will continue to own, control and operate PTL along with managing its existing investments.

As part of this re-compliance process, MMJ will issue a prospectus as required by ASX Listing Rule 1.1 Condition 3, however, MMJ does not intend to conduct a capital raising.

OVERVIEW OF MMJ

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 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 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.

MMJ's existing investments are as follows:

- PhytoTech Therapeutics Ltd or PTL (100%-owned by MMJ), the subject of the Disposal – company focused on developing and commercialising cannabis-based therapeutics products (using unique oral delivery technologies under licences 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.
- Harvest One Cannabis Inc. (TSXV:HVT) (MMJ owns 53.33 million shares, 30.7% shareholding; 24.8% shareholding fully-diluted, before the issuance of shares to MMJ proposed as part of the Disposal, if all outstanding warrants and options are converted into shares) – Canadian cannabis cultivation and products company.



- Weed Me Inc. (MMJ owns a CAD\$2 million secured note convertible into 3.46 million shares at CAD\$0.577/share and 3.46 million warrants at CAD\$0.866/share; currently enables MMJ to take a 17.4% shareholding; 29.6% shareholding fully-diluted and subject to exercise of and payment for warrants by MMJ) – Canadian cannabis cultivation company.
- Fire & Flower Inc. (MMJ owns 1.25 million shares for a ~2% shareholding plus 1.25 million warrants at an exercise price of CAD\$1.05 per share; 2.7% shareholding fully-diluted and subject to exercise of and payment for warrants by MMJ) – Canadian corporate retail cannabis store chain.
- Cannabis Access (MMJ owns 16.7% shareholding) – the leading online portal for medical cannabis access in Australia.
- Martha Jane Medical Limited (MMJ owns 12.5% shareholding) – holder of an Australian medical cannabis licence and progressing applications for other classes of Australian cannabis licences.
- Bien Ventures Ltd (MMJ owns 12.7% shareholding plus 2.8 million warrants at an exercise price of CAD\$0.35; 18.1% shareholding fully-diluted and subject to exercise of and payment for warrants by MMJ) - an intellectual property, branding and licensing company.
- BevCanna Enterprises Inc. (MMJ owns 3.6% shareholding) - intends to become a fully vertically-integrated premium-based cannabis infused beverage manufacturer.

INVESTMENT ENTITY AND RE-COMPLIANCE

The Disposal will:

- enable MMJ to focus its resources on actively managing a portfolio of minority investments;
- enable integration of PTL's operations with Satipharm, HVT's medical cannabis arm, which is expected to generate synergies and growth opportunities that could not be captured by PTL as a standalone research & development company; and
- benefit MMJ's shareholders by providing capital and freeing up management time to pursue investment opportunities whilst retaining exposure to PTL's future success through MMJ's shareholding in HVT.

MMJ has sought in-principle advice from ASX in respect of the Disposal and ASX has advised the Company that:

- Listing Rule 10.1 applies to the Disposal (as PTL is deemed to be a substantial asset being disposed to HVT, which ASX considers a person of influence) and that the Company will need to seek shareholder approval for the Disposal pursuant to Listing Rule 10.1;
- as a result of the Disposal, the Company will shift to become 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 Listing Rule 11.1; and consequently;
- the Company will be required under Listing Rule 11.1.3 to comply with all of the requirements of Chapters 1 and 2 of the Listing Rules as an Investment Entity.

An "Investment Entity" is an entity 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.



In order to comply with the requirements of Chapters 1 and 2 of the Listing Rules as an Investment Entity, MMJ will (amongst the other ASX requirements) need to demonstrate, at the time of re-compliance, that it has net tangible assets of at least \$15 million. As set out in Schedules 1 and 2 to this announcement, MMJ considers it will satisfy this requirement.

Shareholders should note that once the Company re-complies as an Investment Entity on the ASX, it will need to comply with additional regulatory requirements for Investment Entities. This includes the requirement to report to ASX the net tangible asset backing of its quoted securities at the end of each month.

DISPOSAL AND SSA

As mentioned above, pursuant to the SSA, MMJ has agreed to sell 100% of the issued share capital of its wholly-owned subsidiary PTL to HVT for total consideration of CAD\$8 million payable as follows:

Cash (CAD\$)	HVT shares*(CAD\$)	Total (CAD\$)
\$1m	\$7m	\$8m

**The issue price for the HVT shares will be based on the 10-day volume weighted average price of those shares immediately prior to settlement of the Disposal.*

The Disposal is conditional upon, amongst other things, the following conditions:

- a) MMJ obtaining all necessary shareholder approvals under the Corporations Act, the ASX Listing Rules or any other law to allow MMJ to complete the Disposal, including, but not limited to:
 - i) ASX Listing Rule 11.1.2 approval authorising the change of nature and scale of activities of MMJ (as applicable); and
 - ii) ASX Listing Rule 10.1 approval for the Disposal to HVT;
- b) the parties obtaining all necessary third-party approvals or consents to give effect to the matters set out in the SSA;
- c) the parties obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the parties to complete the matters set out in the SSA, including but not limited to, conditional approval to the reinstatement of MMJ's quoted securities to trading on ASX as an Investment Entity following completion of the Disposal on conditions satisfactory to MMJ and the conditional approval of the TSX Venture Exchange for the listing of the HVT shares issuable under the SSA.

Under the terms of the SSA, the Disposal will otherwise take place on terms and conditions that are considered standard for a transaction of this nature.

The Disposal is consistent with MMJ's strategic intent to operate as a global cannabis investment company with a portfolio of minority investments, rather than having control over its investments.

At present, PTL requires significant MMJ management time and resources to ensure that it is successful in its business strategy and can become a viable, self-funding business in the future. Advanced clinical research and development is not a core capability of MMJ's management team. MMJ has invested approximately \$4.7 million in PTL to date and, whilst PTL remains as a 100% subsidiary of MMJ, it is expected to continue to require funding and operate at an annual net loss for MMJ over the next few years.

Funds raised from the Disposal will provide MMJ with flexibility to pursue investment opportunities in the cannabis sector.



Relationship between MMJ and HVT

Initially, following the successful listing of MMJ's core cannabis brands, United Greeneries Holdings Ltd (UG) and Satipharm AG (SAT) on the TSXV through HVT in April 2017, MMJ included HVT in its consolidated group accounts as an entity that MMJ had control over. However, circumstances have subsequently changed so that MMJ no longer considers that it exerts control over HVT on the basis that:

- MMJ's shareholding in HVT has reduced to 30.7% (24.8% fully-diluted; refer table below); and
- the Boards of both MMJ and HVT have changed so that MMJ and HVT have only one common director on their Boards, being Peter Wall.

HVT will be included as an investment but no longer consolidated in the accounts of MMJ and the effect of this has been reflected in Schedules 1 and 2.

MMJ's fully-diluted shareholding in HVT is as follows:

Event	MMJ Shares in HVT*	Total Fully-Diluted HVT Shares on Issue	MMJ Fully-Diluted Shareholding in HVT
Current	53,333,333	214,929,148	24.8%
After Settlement	61,310,077	222,905,892	27.5%

*Note: 2% of the Disposal consideration (cash and/or HVT shares) when due and payable to MMJ is to be paid/issued to Yissum Research Development Company of the Hebrew University of Jerusalem Ltd (**Yissum**) based on an agreement in place between PTL and Yissum. The number of HVT shares to be issued to MMJ and Yissum in the table above assumes a HVT share price of CAD\$0.86/share.

As stated above, ASX are requiring the Company's shareholder approval pursuant to ASX Listing Rule 10.1 in respect of the Disposal due to the circumstances of the relationship between the MMJ and HVT.

RECENT ISSUES OF SECURITIES

In the past 6 months, the Company has issued the securities as set out below.

On 12 January 2018, the Company issued 2,036,885 Shares comprising 1,036,885 Shares issued on exercise of 1,036,885 Class F Options at \$0.45 per option raising a total of \$466,598 and 1,000,000 Shares issued upon exercise of 1,000,000 Class I Options at \$0.24 per option raising a total of \$240,000.

On 1 February 2018, the Company issued:

- 1,150,000 Shares comprising 900,000 Shares issued on exercise of Class B Options at \$0.20 per Option to raise \$180,000 and 250,000 Shares issued on exercise of Class F Options at \$0.45 per Option to raise \$112,500; and
- 1,500,000 Class K Options issued for nil cash consideration under the Company's employee incentive plan.

On 2 March 2018, the Company issued:

- 4,625,000 Shares for nil cash consideration upon the conversion of 1,625,000 Class E, 1500,000 Class F and 1,500,000 Class G Performance Rights (the Performance Rights were originally issued pursuant to the Company's Performance Rights Plan); and



- 2,000,000 of each of Class H, I and J Performance Rights under the Company's Performance Rights Plan issued for cash consideration of \$0.0001 per Performance Right to raise a total of \$600.

On 12 April 2018, the Company issued 500,000 Shares on exercise of 500,000 Class E Options at \$0.20 per option raising \$100,000.

On 15 June 2018, the Company issued 833,333 Class H Performance Rights, 833,333 Class I Performance Rights and 833,334 Class J Performance Rights under the Company's Performance Rights Plan for cash consideration of \$0.0001 per Performance Right raising a total of \$250.

The funds raised from these exercises of options and issues of performance rights were applied towards operating expenses and subsequent investments made by the Company.

The original circumstances surrounding the relevant issues of the Options were as follows:

- a) Class B Options: issued under the Company's Employee Incentive Option Plan;
- b) Class E Options issued to past director as part of equity-based incentives package with shareholder approval;
- c) Class F Options issued to professional investors as free attaching to shares subscribed for under a placement conducted by the Company in October 2015 and in consideration for corporate advisory services provided to the Company.
- d) Class H Options issued the Company's Employee Incentive Option Plan.
- e) Class I Options issued to employee as part of equity-based incentives package.

None of the issues of these securities (being the Options themselves or the underlying Shares) were underwritten.

EFFECT OF THE DISPOSAL ON THE COMPANY'S CONSOLIDATED TOTAL ASSETS AND TOTAL EQUITY INTERESTS

The principal effects on the Company's consolidated statement of financial position will be:

- total assets will increase by approximately \$7.5 million;
- total liabilities will increase by approximately \$2.0 million; and
- total equity interests will increase by \$5.5 million.

Further details with respect to the financial effect of the Disposal are set out in the pro-forma balance sheet in Schedule 1 and the transaction comparison table in Schedule 2.

EFFECT OF THE DISPOSAL ON THE COMPANY'S REVENUE, EXPENDITURE AND PROFIT BEFORE TAX

- There will be no significant effect on the Company's consolidated statement of financial performance.
- The Company does not consider it appropriate to forecast future earnings. Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection on a reasonable basis.



Further details with respect to the effect of the Disposal on the Company's revenue, expenditure and profit are set out in the pro-forma balance sheet in Schedule 1 and the transaction comparison table in Schedule 2.

PRO FORMA CAPITAL STRUCTURE

The Disposal will have no effect on the Company's capital structure. The Company's capital structure will remain unchanged. Refer to the table below:

	Shares	Options	Performance Rights
<i>Pre-Disposal Capital Structure</i>	221,398,985 ¹	18,583,391 ²	25,250,000 ³
<i>Post-Disposal Capital Structure</i>	221,398,985 ¹	18,583,391 ²	25,250,000 ³

Notes:

- Fully paid ordinary shares in the capital of MMJ.
- Comprising:
 - 350,000 Class C Options exercisable at \$0.31 on or before 6 May 2019
 - 2,500,000 Class D Options exercisable at \$0.40 on or before 27 July 2018
 - 7,075,000 Class F Options exercisable at \$0.45 on or before 8 September 2018
 - 2,537,500 Class G Options exercisable at \$0.36 on or before 1 March 2019
 - 620,891 Class H Options exercisable at \$0.27 on or before 31 January 2020
 - 1,000,000 Class I Options exercisable at \$0.24 on or before 6 June 2019
 - 3,000,000 Class J Options exercisable at \$0.24 on or before 1 September 2020
 - 1,500,000 Class K Options exercisable at \$0.35 on or before 31 October 2021
- Comprising:
 - 9,000,000 Class D Performance Rights: refer to Notice of General Meeting released on the Company's ASX platform (ASX:MMJ) on 29 June 2015
 - 2,500,000 Class E Performance Rights: subject to performance condition which is satisfied on the earlier of the 5-day VWAP of Shares being above \$0.50 or continued engagement with the Company until 31 December 2017 – the performance condition has been satisfied.
 - 2,625,000 Class F Performance Rights: subject to performance condition which is satisfied on the earlier of the 5 day VWAP of Shares being above \$0.50 or continued engagement with the Company until 30 June 2018 – the performance condition has been satisfied.
 - 2,625,000 Class G Performance Rights: subject to performance condition which is satisfied on the earlier of the 5 day VWAP of Shares being above \$0.50 or continued engagement with the Company until 31 December 2019 – the performance condition has been satisfied.
 - 2,833,333 Class H Performance Rights: vesting upon 20 day VWAP of Shares being above \$0.60 on or before 26 February 2022
 - 2,833,333 Class I Performance Rights: vesting upon 20 day VWAP of Shares being above \$0.80 on or before 26 February 2022
 - 2,833,334 Class J Performance Rights: vesting upon 20 day VWAP of Shares being above \$1.00 on or before 26 February 2022

The Company's shareholding in HVT will increase (albeit not above a 50% shareholding) upon the issue of any shares in HVT as consideration for the Disposal.

CONTROL ISSUES

Assuming completion of the Disposal, it is not presently anticipated that any person will have a voting power of 20% or more in the Company.

EFFECT ON THE BOARD

The Disposal will have no effect on the current composition of the Board.

However, the Company advises that the role of MMJ's Chief Operating Officer, Catherine Harvey, who has been actively involved in PTL's activities, will be made redundant at the close of business on 13 July 2018.



BUSINESS MODEL AND INVESTMENT STRATEGY

The Company intends to be a cannabis-focussed Investment Entity which will manage and maintain a portfolio of investments in a range of emerging cannabis-related sectors.

Following the Disposal MMJ will continue to actively manage its current investments and seek to make additional investments. It is intended that the Company's principal activities will consist of making investments in listed or unlisted securities and derivatives in companies involved in the cannabis industry where the MMJ Board perceives there to be material upside potential. These investments will be passive or non-controlling, the Company's objectives and investment strategy will not include the exercise of control over these entities or the business of these entities.

The investment objective of the Company is to realise positive returns on its investments regardless of the underlying movement in value of the investment markets and generate strong risk adjusted returns for shareholders over the medium to long term, whether by way of capital growth and or regular income from interest, dividends, fees or profit from realisation on asset sales. Specifically, MMJ aims to invest \$0.5 million to \$5 million per new investment opportunity.

MMJ believes that there is significant long-term growth potential in the cannabis industry, particularly in Canada. Accordingly, the Company has identified an opportunity to create value through investments.

The Company has developed strengths and capabilities that are suited to investing in the cannabis sector through construction of a portfolio of strategic investments. These include:

- a Board of directors which has overseen the construction of the Company's investment portfolio;
- the Company's Board of directors and senior management have substantial experience in the corporate finance and investment management in the areas of listed and unlisted investments within Australia and overseas;
- the senior management team has a proven track record of investment, oversight and exits in the private equity arena;
- the Company has an established brand with a strong reputation and presence in Australia and overseas that provides excellent access to a significant flow of attractive investment opportunities; and
- a distinctive and flexible approach to structuring transactions, managing risk, adding value and exiting investments.

The MMJ Board (along with senior management personnel) have capabilities and experience in each of the five core processes of investment management, being:

- sourcing investments;
- making investments;
- adding value to investments;
- exiting investments; and
- company administration.

Specifically, the experience of each MMJ Board member and senior management is summarised below:

- Peter Wall, Non-Executive Chairman:

Peter was appointed as Non-Executive Chairman on 14 August 2014. He is also the Chairman of Harvest One Cannabis Inc, a Canadian listed medical cannabis company. He is a corporate lawyer and has been a Partner at Steinepreis Paganin (Perth based corporate law firm) since July 2005. Peter's value to the Board is mainly related to his legal background, corporate governance and extensive experience in the medical cannabis space (having been a director of the Company since inception and a pioneer in the medical space in Australia). Peter is also the Chairman of unlisted AFSL corporate authorized representative Sharequity Pty Ltd (a crowdfunding and sophisticated investor platform) and has previously acted as Chairman of an unlisted fund called as Stoicus Funds Management.

Peter graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance) and has also completed a Master of Applied Finance and Investment with FINSIA.

- Winton Willesee, Non-Executive Director:

Winton was appointed as Non-Executive Director on 21 October 2014. He is an experienced company director with a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Winton has considerable experience with ASX listed companies and is licensed to provide investment advice as an authorised representative under an AFSL. Winton has been involved with many successful ventures from early stage through to large capital development projects. He holds formal qualifications in economics, finance, accounting, education and governance and has additional investment experience following years spent as a stock broker.

Winton is a Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors, a Member of CPA Australia and a Chartered Secretary;

- Doug Halley, Non-Executive Director:

Doug was appointed as Non-Executive Director on 16 March 2018. He is an experienced company director and has also served for 30 years as CFO or CEO in several significant and successful (mostly publicly-listed) commercial enterprises and investment banks obtaining additional experience in portfolio management and advisory.

Doug was Chairman of the ASX listed DUET Group entities between 2006 and 2017 which managed infrastructure investments in Australia and USA. Doug has been Chairman of Investment Committee for N V Phillips Australia superannuation fund and the Thomson Australia superannuation fund and a director of various Javelin and Five Arrows public investment trusts managed by N M Rothschild Australia.

He holds formal qualifications in business administration and accounting and is a Fellow of the Australian Institute of Company Directors.

- Jason Conroy (Chief Executive Officer)

Jason is an experienced senior executive and board member. He was appointed CEO in February 2018.

Prior to joining MMJ, Jason was CFO of DUET Group, a former member of the ASX100, for 9 years to May 2017. As part of this role, he led a significant transformation through M&A, recapitalisations and restructuring that resulted in DUET's market capitalisation growing from \$1.2 billion in 2009 to \$7.4 billion in 2017, at which time the group was acquired at an attractive premium.



Jason was the Responsible Manager under DUET's Australian Financial Services Licence.

He has also gained experience from roles in restructuring, advisory, venture capital, corporate development and corporate finance in Australia and overseas.

Jason holds a Bachelor of Commerce (Accounting), a Master of Business Administration (MBA), is a Fellow of Chartered Accountants Australia and New Zealand (FCA) and a Member of the Australian Institute of Company Directors (MAICD).

- **Jim Hallam (Chief Financial Officer)**

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 chief financial officer within alternative asset fund managers.

Mr Hallam has a Bachelor Economics, is a member of the Chartered Accountants Australia & New Zealand and a fellow of the Governance Institute of Australia.

MMJ's returns and investments will be driven by active management of the portfolio by the MMJ Board and CEO. The Board and CEO will have discretion, within the terms of the investment strategy, to determine investments to pursue on behalf of the Company and its shareholders.

The Board will investigate and select potential investment opportunities based on an assessment of a wide range of factors, including the size of the investment, projected revenue, costs and profits, growth potential, credit risk, asset and cash flow profile and assessment objectives.

At this point in time, MMJ does not intend to raise any further capital but will make investments through the use of:

- its existing cash position (\$6.2m unaudited corporate cash position - before sale proceeds are received from the Disposal); and
- capital obtained from liquidity events in respect of its existing and future investments including the Disposal.

MMJ will be targeting investments or opportunities with the following characteristics:

- emerging cannabis sector leaders in healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment and retail;
- investment size of between \$0.5m to \$5m;
- investments in jurisdictions such as Australia and Canada;
- minority investments consistent with a venture capital approach to managing a broad portfolio.

There will be no minimum or maximum number of investments in the Company's investment portfolio, however more or less may be held depending on the number of suitable investments identified that are expected to meet performance expectations.

Key Risks

The key risks the Company associated with the Disposal and its proposed future activities as an Investment Entity are as follows:



a) **Completion risk**

Pursuant to the SSA, MMJ has agreed to sell 100% of the issued share capital of its wholly-owned subsidiary PTL to HVT, completion of which is subject to the fulfilment of certain conditions. There is a risk that the conditions for completion of the Disposal cannot be fulfilled and, in turn, that completion of the Disposal does not occur. If the Disposal is not completed, the Company will incur costs relating to advisors and other costs without any material benefit being achieved.

b) **Re-quotations of shares on ASX**

As part of MMJ's change in the nature of its activities, ASX requires it to re-comply with Chapters 1 and 2 of the Listing Rules. It is anticipated that MMJ's securities will be suspended from the date of the general meeting convened to seek Shareholder approval for the Disposal until completion of the Disposal, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that MMJ will not be able to satisfy one or more of those requirements and that its securities will consequently remain suspended from official quotation.

c) **Investment Risk**

There is a risk that the investments that form part of the Company's portfolio will fall in value for short or extended periods of time. The value and individual trading prices, in the case of listed entities, of the individual companies that the Company holds will be affected, amongst other things, by the operational and financial performance of those companies, the quality of their management and the overriding state of the sector in which those companies operate.

d) **Investment strategy risk**

The success and profitability of the Company will largely depend on the Board's ability to manage the portfolio in a manner that complies with the Company's objectives, strategies, policies, guidelines and permitted investments. The returns of the Company will depend on the Board being exposed to well managed businesses that have the ability to increase in value over time. A failure to do so may negatively impact the Company and its shares. There can be no guarantee that the Board's strategy will result in the Company improving its performance. Investment returns cannot be predicted and performance may deteriorate.

e) **Market risk**

Broad market risks include movements in domestic and international securities markets, movements in foreign exchange rates and interest rates, changes in taxation laws and other laws affecting investments and their value. The MMJ Board will endeavour to construct the Company's Portfolio so as to minimise market risks. Certain events may have a negative effect on the price of all types of investments within a particular market. These events may include changes in economic, social, technological or political conditions, as well as market sentiment specifically in the medical cannabis industry.

f) **Reliance on Key Management Personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of MMJ and its investments depends substantially on its senior management and directors. There can be no assurance that there will be no detrimental impact on the performance of MMJ or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner. If such contracts with key management personnel are terminated or breached, or if the relevant personnel were no longer to continue in their current roles, MMJ would need to engage alternative staff, and MMJ's operations and business may be adversely affected.

g) Economic Risk

Investment returns are influenced by market factors, including changes in economic conditions, changes to legislative, regulatory and political environments as well as changes in investor sentiment. In addition, exogenous events, such as natural disasters, acts of terrorism and financial market turmoil, can and sometimes do, result in equity market volatility and losses.

h) Limited diversification

The Company's portfolio may be less diversified than the portfolios of other listed investment companies and accordingly, may be more exposed to falls in the market price of its individual investments. The lower the number of different listed securities to which the Company is exposed increases the risk of potential volatility of the Company's net tangible asset backing and, by extension the ASX trading price of the Shares.

i) Impact of further investments

The Company will in the future seek to acquire investments to generate growth opportunities. The pursuit of potential investments may divert the attention of management and cause MMJ to incur various expenses in identifying, investigating and pursuing suitable investments, if they are consummated. MMJ also may not achieve the anticipated benefits from the investment business due to a number of factors, including:

- i) incurrence of investment-related costs;
- ii) diversion of management's attention from other business concerns;
- iii) unanticipated costs or liabilities associated with the investment;
- iv) harm to the Company's reputation;
- v) the potential loss of key employees;
- vi) use of resources that are needed in other parts of the Company's business; and
- vii) use of substantial portions of the Company's available cash to consummate investments.

In the future, if our investments do not yield expected returns, we may be required to take charges to our operating results arising from the impairment assessment process. Investments may also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an investment companies fails to meet our expectations, our business, results of operations and financial condition may be adversely affected.



j) **Publicity and Media**

The products of MMJ's investee companies (**Investees**) (**Products**) contain controlled substances, the use of which may generate public controversy. These Products or proposed Products contain controlled substances and their regulatory approval may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, the Products. These pressures could also limit or restrict the introduction and marketing of the Products. Adverse publicity from cannabis misuse or adverse side effects from cannabis or other cannabinoid products may adversely affect the commercial success or market penetration achievable by our products. The nature of our business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, the reputation of the Company and/or its Investees may be harmed.

k) **Industry Growth**

The medicinal cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and formation of strategic relationships. We expect this consolidation and strategic partnering to continue. Investments or other consolidating transactions could harm MMJ in many ways, including:

- The Investee could lose strategic relationships if third parties with whom the Investee has arrangements with are acquired by or enter relationships with a competitor (which could cause us to lose access to distribution, content, technology and other resources);
- the relationship between the Investee and such third parties may deteriorate and cause an adverse effect on our business; and
- the Investee's current competitors could become stronger, or new competitors could form, from consolidations.

Any of these events could put the Investee at a competitive disadvantage, which could cause it to lose research facilities or access to technology. Consolidation could also force the Investee to expend greater resources to meet new or additional competitive threats, which could also harm its results.

l) **License and Regulatory Risk**

MMJ's Investees' ability to research, develop and commercialize Products is dependent on their ability to maintain licenses relating to the cultivation, possession and supply of controlled substances and comply with any other regulatory requirements. The licenses required for medical research may need to be granted by the relevant authority in each country. The Investee may not be able to carry on its research and development program if these licenses are not issued. The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern MMJ or its Investees' operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of MMJ and its shares. In addition, there is a commercial risk that legal action may be taken against MMJ in relation to commercial matters.

m) **Litigation**

MMJ may in the ordinary course of business become involved in litigation and disputes, for example with its contractors or clients. Any such litigation or dispute could involve significant economic costs and damage to relationships with contractors, clients or other stakeholders. Any such outcomes may have an adverse impact on MMJ's business, market reputation and financial condition and financial performance. To the Company's knowledge neither the Company nor HVT are currently engaged in any litigation.

n) **Speculative Investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

Key Dependencies

The key dependencies influencing the intended success of the Company are:

- i) completion of the Disposal;
- ii) the Company's capacity to re-comply with Chapters 1 and 2 of the Listing Rules to enable re-admission to quotation of the Company's securities;
- iii) the progression of emerging cannabis-related sectors to ensure the Company's investments achieve their respective business plans; and
- iv) maintaining sufficient funds in the future to develop its investment activities and continue its expansion into emerging cannabis-related sectors and pursuit of growth opportunities.

CHANGE OF NAME

Following completion of the Disposal and subject to shareholder approval being obtained, the Company will change its name to "MMJ Group Holdings Limited" (**Change of Name**).

TIMETABLE

A timetable for the Disposal and associated events is set out below:

Event	Date*
Execution of the SSA	25 June 2018
Announcement of the Disposal	25 June 2018
Lodgement of Prospectus with the ASIC	31 July 2018
Notice of General Meeting to approve the Disposal sent to Shareholders	31 July 2018
General Meeting to approve the Disposal	31 August 2018
Settlement of Disposal	3 September 2018
Re-quotation of MMJ Shares on ASX	4 September 2018

**Please note that this timetable is indicative only and may change without notice. The Directors of the Company reserve the right to amend the timetable as required.*

The Company notes that it is anticipated that MMJ's securities will be suspended from the date of the general meeting until completion of the Disposal, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement.



ACCOUNTS

The Company's auditor-reviewed half-yearly financial accounts as at 31 December 2017 can be accessed on the Company's ASX platform as per ASX release on 28 February 2018. The auditor-reviewed balance sheet as at 31 December 2017 is set out in Schedule 1.

RE-COMPLIANCE WITH ASX LISTING RULES CHAPTERS 1 AND 2

As the Disposal will amount to a significant change in the nature of the Company's activities, the Company is required to obtain approval for its Shareholders for the Disposal and must re-comply with Chapters 1 and 2 of the Listing Rules.

WAIVERS

The Company currently has a number of performance rights on issue with a nominal vesting price. Accordingly, depending on ASX's application of paragraph 8.9 of ASX Guidance Note 12, the Company will likely seek a waiver from the requirements of ASX Listing Rule 1.1, Condition 12, which requires that the exercise price for all options on issue must be at least 20 cents in cash at the time a company seeks re-quotation.

SHAREHOLDER APPROVALS

A notice of meeting seeking Shareholder approval for the resolutions required to give effect to the Disposal will be sent to Shareholders in due course. It is expected that MMJ will convene a general meeting to be held in July 2018 to facilitate Shareholder approval for matters in respect of the Disposal. Those approvals will include:

- a) the change in nature and/or scale of the Company's activities; and
- b) the Disposal pursuant to ASX Listing Rule 10.1; and
- c) the Change of Name pursuant to section 157(1)(a) of the *Corporations Act 2001* (CT).

As shareholder approval pursuant to ASX Listing Rule 10.1 is required, MMJ has engaged RSM Corporate Australia Pty Ltd to prepare an Independent Expert Report on the Disposal and will provide a copy of such report to shareholders along with the notice of meeting.

If shareholder approval is not obtained the Company the Disposal will not complete and the Company will continue to own, control and operate PTL along with managing its existing investments.

PROFESSIONAL FEES

No person or party has been paid or will be paid any fees for finding, arranging or facilitating the Disposal.

APPROPRIATE ENQUIRIES

Prior to execution of SSA, the Company undertook appropriate enquiries and due diligence investigations into Harvest One, specifically into its assets and liabilities, financial position and performance, the current value of its securities, its future prospects and direction and the expertise of its directors, management and other key personnel. Such investigations consolidated the Company's confidence that the Disposal is in the best interests of the Company and its shareholders.



REGULATORY REQUIREMENTS GENERALLY

The Company notes that:

- a) the Disposal requires Shareholder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming;
- b) the Company is required to re-comply with ASX's requirements for admission and quotation and therefore the Disposal may not proceed if those requirements are not met;
- c) ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the Disposal may not proceed if ASX exercises that discretion; and
- d) investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.

Furthermore, the Company:

- a) notes that ASX takes no responsibility for the contents of this announcement; and
- b) confirms that it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

For further information, please contact:

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SCHEDULE 1 – UNAUDITED PRO FORMA BALANCE SHEET

The auditor-reviewed balance sheet as at 31 December 2017 and the unaudited pro-forma balance sheet as at 31 December 2017 shown below have been prepared on the basis of the accounting policies normally adopted by MMJ and reflect the changes to its financial position. The pro-forma balance sheet has been prepared assuming that the Disposal completes and therefore that:

- a) de-consolidation of HVT (HVT) and accounted for as an investment. The value of the Company's investment in HVT has been accounted for using the market value as at 3 May 2018;
- b) PTL (which currently has a book value of A\$4.74 million in the Company's accounts) is disposed;
- c) consideration of CAD\$1,000,000 in cash is received (equal to A\$1,033,900 assuming exchange rate of assuming exchange rate of CAD\$1:AUD\$1.0339);
- d) consideration of CAD\$7,000,000 to be paid in HVT shares (equal to 8,139,534 HVT shares assuming HVT share price of CAD\$0.86 per share and equivalent to AUD consideration of \$7,237,300 assuming exchange rate of CAD\$1:AUD\$1.0339);
- e) \$300,000 in anticipated costs of the Disposal are paid excluding the consideration payable to Yisum.

	AUDITOR REVIEWED 31 DECEMBER 2017 (\$'000)	BALANCE SHEET 31 DECEMBER 2017 WITHOUT HVT (\$'000)	ADJUSTMENTS AS A RESULT OF TRANSACTION (\$'000)	MATERIAL INVESTMENTS POST 31 DECEMBER 2017 (\$'000)	UNAUDITED PROFORMA 31 DECEMBER 2017 (\$'000)
CURRENT ASSETS					
Cash and cash equivalents	36,106	6,433	516	(170)	6,780
Trade and other receivables	766	119	(10)	-	109
Inventories	2,100	-	-	-	-
Available for sale financial assets	750	750	-	(750)	-
Biological assets	337	-	-	-	-
TOTAL CURRENT ASSETS	40,059	7,303	506	(920)	6,889
NON CURRENT ASSETS					
Investment in associate	-	47,422	7,093	-	54,514
Investments	2,049	2,049	-	3,843	5,892
Property, plant and equipment	8,523	5	(4)	-	1
Intangibles	8,825	-	-	-	-
Goodwill	4,781	-	-	-	-
Other	37	37	(37)	-	-
TOTAL NON CURRENT ASSETS	24,215	49,512	7,052	3,843	60,407
TOTAL ASSETS	64,274	56,815	7,558	2,923	67,296
CURRENT LIABILITIES					
Trade and other payables	1,576	273	(129)	-	144
Contingent consideration	2,666	2,666	-	-	2,666
TOTAL CURRENT LIABILITIES	4,242	2,939	(129)	-	2,809
NON CURRENT LIABILITIES					
Convertible debentures liability	7,089	-	-	-	-
Deferred tax	2,244	5,681	2,159	-	7,841
TOTAL NON CURRENT LIABILITIES	9,333	5,681	2,159	-	7,841
TOTAL LIABILITIES	13,574	8,620	2,030	-	10,650
NET ASSETS	50,700	48,195	5,528	2,923	56,646
EQUITY					
Contributed equity	45,796	45,796	-	-	45,796
Reserves	29,452	11,777	(134)	-	11,643
Accumulated losses	(42,928)	(9,378)	5,662	2,923	(793)
Equity attributable to the owners of MMJ	32,319	48,195	5,528	2,923	56,646
Non-controlling interest	18,380	-	-	-	-
TOTAL EQUITY	50,700	48,195	5,528	2,923	56,646

The Pro-Forma balance sheet includes the following adjustments:

1. Cash proceeds totalling CAD\$1,000,000 equal to A\$1,033,900 assuming exchange rate of CAD\$1:A\$1.0339.
2. Equity consideration amounting to CAD\$7,000,000 settled via HVT shares equal to A\$7,237,300 assuming exchange rate of CAD\$1:A\$1.0339, Assuming HVT share price of CAD\$0.86 will be equal to 8,139,534 HVT shares.
3. Disposal of PTL (net liability of A\$3,497,844 including intercompany transaction) from the consolidated group and recognition of the payment to be paid to Yissum Research Development Company of the Hebrew University of Jerusalem Ltd (Yissum). Note the Yissum payment is a cost of the Disposal as under an existing agreement between PTL and Yissum an exit fee must to be paid to Yissum to allow the change in control of PTL – the exit fee is 2% of the exit consideration (which is equivalent to a total of C\$160,000 (A\$165,424) through CAD\$20,000 (A\$20,678) in cash and CAD\$140,000 (A\$144,746) in HVT Shares.
4. The following investment acquisitions were made by the Company since 31 December 2017:
 - a) Dosecann Inc – A\$2,545,047 in January 2018
 - b) Cannabis Access – A\$1,000,000 in April 2018
 - c) Fire and Flower Inc. – A\$1,018,953 in April 2018
 - d) Martha Jane Medical – A\$600,000 in May 2018
 - e) Bien Ventures – A\$714,000 in June 2018
 - f) BevCanna – A\$510,000 in June 2018

The cost of these investments has been deducted from cash.

5. The following investments were sold by the Company since 31 December 2017:
 - a) Dosecann Inc – Dosecann (Dosecann was taken over by Cannabis Wheaton Income Corp (TSX-V:CBW) in May 2018. The Company received 3.12 million common shares and 1.56 million warrants to purchase CBW shares at CAD\$0.962 per share. The Company sold its CBW shares and warrants for net proceeds of A\$5,832,677 in May 2018.
 - b) e-Sense Lab – the Company received net proceeds of A\$193,891 in May 2018. The Company also received A\$199,000 from e-Sense Lab as consideration for not receiving e-Sense Lab options which was a condition of the original acquisition of e-Sense Lab shares in November 2017.

The proceeds from the sale and the applicable profit and loss on sale have been added to cash and retained profits respectively.

SCHEDULE 2 – TRANSACTION-BASED COMPARISON TABLE

FINANCIAL COMPARISON

Particulars	Prior to Disposal (31 December 2017 auditor reviewed)	Prior to Disposal (31 December 2017) without HVT¹	Projected change due to Disposal²	Post Disposal– Pro forma	Percentage change due to Disposal
Consolidated Total Assets (\$'000)	64,274	56,815	7,558	64,373	13.30%
Consolidated Total Equity (\$'000)	50,700	48,195	5,528	53,723	11.47%
Annual Expenditure (\$'000)*	22,741	9,430	(1,301)	8,129	(13.80%)

CAPITAL STRUCTURE AND MARKET CAPITALISATION COMPARISON

Particulars	Prior to Disposal⁶	Projected change due to Disposal²	Post Disposal– Pro forma	Percentage change due to Disposal
Total shares on issue	221,398,985	Nil	221,398,985	0.00%
Total options on issue ³	18,583,391 ³	Nil	18,583,391 ³	0.00%
Total performance rights on issue ⁴	25,250,000 ⁴	Nil	25,250,000 ⁴	0.00%
Market capitalisation ⁵ (\$A)	80,810,629	Nil	80,810,629	0.00%

Notes:

- Deconsolidation of HVT occurred as at 28 February 2018 prior to PTL proforma transactions.
- Assumes Disposal completes (which will include MMJ re-instatement to official list of ASX).
- Comprising 350,000 Class C Options (\$0.31, 6 May 2019), 2,500,000 Class D Options (\$0.40, 27 July 2018), 7,075,000 Class F Options (\$0.45, 8 September 2018), 2,537,500 Class G Options (\$0.36, 1 March 2019), 620,891 Class H Options (\$0.27, 31 January 2020), 1,000,000 Class I Options (\$0.24, 6 June 2019), 3,000,000 Class J Options (\$0.24, 1 September 2020) and 1,500,000 Class K Options (\$0.35, 31 October 2021).
- Comprising 9,000,000 Class D Performance Rights, 2,500,000 Class E Performance Rights, 2,625,000 Class F Performance Rights, 2,625,000 Class G Performance Rights, 2,833,333 Class H Performance Rights, 2,833,333 Class I Performance Rights and 2,833,334 Class J Performance Rights.
- Assuming:
 - share price of MMJ of \$0.365 (being closing price on ASX on 22 June 2018); and
 - no Shares are issued by way of exercise of options or vesting of performance rights.
- Current as at 25 June 2018. Assuming that no additional Shares or other securities are issued, including issue of Shares on exercise of options or vesting of performance rights.

**Note: MMJ not yet earning any material revenue.*