

31 July 2017

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2017

MMJ PhytoTech Limited (ASX: MMJ) (“MMJ” or “the Company”) is pleased to provide its quarterly activities report for the period ended 30 June 2017.

### Highlights:

- **MMJ lists subsidiaries United Greeneries and Satipharm AG on TSX-V under new entity Harvest One Cannabis Inc. (TSX-V: HVST) and retains ~60% interest in Harvest One after CAD\$25m financing**
- **Corporate restructuring enhances access to capital and provides MMJ shareholders with direct exposure to rapidly growing medical and upcoming recreational cannabis markets in Canada**
- **United Greeneries successfully harvested the first three cannabis crops at Duncan Facility in British Columbia**
- **United Greeneries signs wholesale off-take agreement with strategic licensed cannabis retail partner**
- **Australian distribution partner HL Pharma successfully completes first shipment of Satipharm’s Gelpell-CBD capsules into Australia under new legislation**
- **PhytoTech Therapeutics received approval for commencement of Phase 2 Clinical Trial of PTL201 capsules for treatment of multiple sclerosis symptoms**

### **Harvest One Cannabis Inc. (TSX-V: HVST)**

To take advantage of access to capital within the Canadian market, MMJ completed a strategic corporate restructuring, with the establishment of TSX-V listed Harvest One Cannabis Inc. (“Harvest One”) (TSX-V: HVST).

The transaction, by means of a reverse takeover (“RTO”), provided MMJ with approximately 60% ownership of Harvest One, with the majority of the 40% balance of Harvest One being held by investors who participated in a capital raising of approximately CAD\$25 million, mainly through institutional owners. The ownership of PhytoTech Therapeutics in Israel fully remained with MMJ.

The finalisation of the transaction triggered the release of the CAD\$25 million capital raise completed by Harvest One, providing the Group with two fully funded brands in the fastest growing legal cannabis market worldwide.

## ASX RELEASE

---

### United Greeneries – Operational Update

United Greeneries is a Canadian Licensed Producer (“LP”) focused on large scale horticultural operations targeting supply to the medicinal cannabis and soon to be legalised recreational cannabis markets in Canada. United Greeneries owns and operates the Company’s two Canadian growing facilities, the Duncan Facility and the Lucky Lake Facility.

#### Duncan Facility cultivation activities progressing well

United Greeneries successfully completed its first three harvests from the Duncan Facility during the quarter. UG’s first three crops yielded approximately 60kg of dried cannabis buds each, with the harvest passing strict Health Canada quality control measures.



**Figure 1: Dried cannabis buds harvested at the Duncan Facility in June quarter**

#### Off-take agreement with Strategic Canadian Cannabis Retail Partner

In addition, United Greeneries announced that it entered into a wholesale off-take agreement (the "Wholesale Agreement") with another Licensed Producer for the sale of its initial 100kg of cannabis production for a fixed price of CAD\$500,000 (or \$5 per gram).

The Wholesale Agreement includes a right of first refusal for the LP to wholesale purchase UG’s further production for a period of 12 months.

United Greeneries plans to continue wholesale distribution and to closely collaborate with this LP in the medical cannabis market while the Company builds a retail platform for the recreational cannabis market over the next few months.

## ASX RELEASE

---

### Renewal of ACMPR license

During the quarter, Harvest One was pleased to advise that United Greeneries had received a renewal of its *Access to Cannabis for Medical Purposes Regulations* (“AMPR”) cultivation license (“License”).

The renewal of UG’s License is valid until June 26, 2020 and Health Canada has removed the previous production restrictions, with the only limitation being storage capacity of 625kg allowed within the vault at any given time.

### United Greeneries sales amendment

United Greeneries also applied to Health Canada to amend its License to allow for the sale and distribution of medical cannabis (the “Amendment”). The application for the Amendment follows the harvest of two independent consecutive cannabis crops and the successful completion of certain biochemical quality control standards and analytical requirements. The issuance of the Amendment is subject to, among other things, a regulatory inspection of United Greeneries’ growing facility in Duncan.

### Phase 1 Duncan Expansion

As outlined in our previously released business plan, the Phase I expansion plan of the Duncan facility is on track and is expected to be completed within the next 12 months. The expansion is expected to increase the total production capacity from approximately 1,000kg to 8,500kg per annum.



**Figure 2: United Greeneries’ Duncan Facility, British Columbia**

## ASX RELEASE

---

### **Satipharm AG - Operational Update**

The Company's European pharmaceutical and nutraceutical division operates under its 100% owned subsidiary, Satipharm AG, based in Cham, Switzerland. Satipharm is focused on the development of oral delivery technologies for strategic supply and entry into emerging cannabis markets globally.

#### First shipment of capsules into Australia

In May, MMJ's Australian distribution partner, Melbourne-based HL Pharma Pty Ltd. ("HL Pharma"), completed the importation of its first shipment of medicinal products from Satipharm.

The imported products included two strengths of cannabidiol capsules, which can be used in the treatment of a variety of medical conditions as approved by prescribing physicians under Australian Federal and State legislation.

Satipharm's Gelpell-CBD™ capsules are one of the first medicinal cannabis products available to approved prescribers in Australia, further solidifying MMJ's position as a key player in the rapidly evolving Australian market.

The successful importation of Satipharm's Gelpell-CBD™ capsules into Australia followed HL Pharma's receipt of a medicinal cannabis Import Licence in March 2017.

Satipharm's Gelpell-CBD™ capsules successfully underwent a Phase 1 Clinical Trial for safety and bioavailability and are produced under Good Manufacturing Practices (GMP) protocols in Switzerland. The capsules' active ingredient, cannabidiol, is derived from medical cannabis grown under Good Agricultural and Collection Practices (GACP) in controlled environments.

The capsules are available in a 10mg and a 50mg CBD capsule and contain no detectable levels of Tetrahydrocannabinol ("THC").

### **PhytoTech Therapeutics Limited (MMJ 100%) – Operational Update**

MMJ's wholly-owned, Israeli-based subsidiary, PhytoTech Therapeutics Ltd ("PTL"), is responsible for the Company's R&D and clinical development activities. PTL's key focus is on adopting and developing unique oral delivery technologies that have the potential to deliver safe, effective and measured doses of MC to patients.

#### Phase 2 clinical trials update

As previously advised, the initial Phase 2 clinical trial commenced by PTL in February 2017 is continuing as planned. This first Phase 2 clinical trial is an open-label study aimed at evaluating the safety, tolerability and efficacy of oral administration of PTL101 as an adjunctive treatment to refractory epileptic children.

The efficacy endpoints assess the seizure frequency and global impression of improvement in patient's clinical condition following the investigational drug-product PTL101 treatment.

## ASX RELEASE

---

The PTL101 drug beads are utilising proprietary formulation developed through the Company's Gelpell-CBD™ product technology contain organically derived, highly purified CBD (cannabidiol).

Importantly, the Gelpell® technology enables the pediatric patients to consume the drug beadlets in an unobtrusive manner, as their caregivers mix it with their food. The drug's therapeutic characteristics are not altered by this method of administration nor does it change the food taste.

Two out of the nine patients recruited have already completed the study, and the site is continuing to recruit additional patients.

It is estimated that approximately 100,000 children in North America suffer from refractory epilepsy – a treatment resistant category of the disease, causing uncontrollable seizures.

For further details on the Phase 2 Clinical Trial, please refer to ASX release dated 13 February 2017.

During the quarter, PTL also received Helsinki (IRB of Sheba Clinical Site) and Ministry of Health ("MOH") approvals for the conducting of its Phase 2 clinical study into the safety and efficacy of its PTL201 capsules in treating spasticity related symptoms of multiple sclerosis ("MS") patients.

The study will be undertaken at MS Center, encompassing treatment facilities for 2000 patients at the Sheba Hospital, the largest hospital in Israel under the supervision of Prof. Achiron as the PI (Principle Investigator), a world-renowned MS researcher and medical expert. The Center is well known for its multi-disciplinary clinical approach that integrates patient-care and rehabilitation activities reinforced by self-developed innovative technologies associated with improved assessment of the MS disease process as well as patient's quality of life.

The Phase 2 study of PTL201 is expected to commence in the last quarter of 2017, upon the completion of study preparations.

The PTL201 capsules utilise proprietary formulation developed through the Company's Gelpell® product technology.

The Multiple Sclerosis Foundation estimates that approximately 2.5 million people suffer from MS globally, with spasticity involuntary muscle stiffness and spasms the most common and most debilitating symptoms affecting up to 84% of patients. Left untreated, spasticity can lead to serious complications, including contractures and pressure sores.

It is widely recognised that currently available treatments are limited in their effectiveness in treating these symptoms, and frequently uncontrolled.

For further details on the Phase 2 Clinical Trial, please refer to ASX release dated 15 May 2017.

## ASX RELEASE

---

### Canadian Recreational Market Update

On 13 April 2017, the Government of Canada announced new laws legalizing recreational marijuana with the new legislation set to come into effect on July 1 2018. It makes Canada the largest federal jurisdiction in the world to legalise cannabis consumption. Deloitte Canada estimates that the market could be worth between \$12.7 billion and \$22.6 billion when including ancillary goods and services that support the industry.

### Corporate Activity Update

#### Appointment of Chief Financial Officer

MMJ and Harvest One announced the appointment of Ms. Lisa Dea as Chief Financial Officer (“CFO”) in June. Ms. Dea replaced Mr. Kwong Choo, who has assumed a new role as Vice President Finance of Harvest One.

Ms. Dea has over 20 years of experience in the finance, securities and accounting fields, having been the CFO of several ASX, TSX and TSXV listed and dual listed companies including Kabuni Limited (ASX: WNH), El Tigre Silver Corporation (TSXV: ELS) and Greenbriar Capital Corporation (TSXV: GRB).

Ms. Dea has been instrumental in helping several companies grow from the development stage to large-scale commercial operations. Prior to her time in industry, Ms. Dea spent eleven years at Deloitte & Touche LLP, achieving the position of Senior Manager. Ms. Dea obtained her Chartered Accountants designation in 1997 and holds a BCom from the University of British Columbia.

#### Haywood Securities Research Report

Post quarter end, MMJ advised shareholders that Canadian broker, Haywood Securities Inc. had published an extensive research report on the Canadian cannabis sector, which included coverage of Harvest One. The report is available at <http://mmjphytotech.com.au/2017/07/03/haywood-securities-recommendation/>.

### Appendix 4C

The consolidated group cash at bank as at 30 June 2017 was \$23.829m as set out in the attached Appendix 4C.

The high level consolidated cash flows of MMJ and its 100% owned subsidiaries only (ie excluding Harvest One which is ~60% owned) for the quarter ended 30 June 2017 is set out below, together with the separate cash flow for the Harvest One Group for the same period.

## ASX RELEASE

	MMJ & PTL (Exc. Harvest One Group) '000	Harvest One Group '000
Net cash from / (used in) operating activities	(747)	(538)
Net cash from / (used in) investing activities	-	(3,111)
Net cash from / (used in) financing activities	5,466	17,477
<b>Net increase in cash and cash equivalents for the period</b>	<b>4,719</b>	<b>13,828</b>
Cash and cash equivalents at beginning of quarter	5,170	88
Effect of movement in exchange rates on cash held	24	-
<b>Cash and cash equivalents at end of quarter</b>	<b>9,913</b>	<b>13,916</b>

The forecast cash expenditure for the consolidated group for the current quarter ending 30 September 2017 is \$3.871 million as set out in the attached Appendix 4C. This expenditure is split across MMJ and its wholly owned subsidiaries and Harvest One Group as follows:

	MMJ & PTL (Exc. Harvest One Group) '000	Harvest One Group '000
Research and development	245	50
Product manufacturing and operating costs	-	362
Advertising and marketing	-	140
Leased assets	-	7
Staff costs	258	511
Administration and corporate costs	250	467
Other: Capital Expenditure	-	1,581
<b>Total estimated cash outflows</b>	<b>753</b>	<b>3,118</b>

### Management Commentary

#### **Managing Director of MMJ PhytoTech and Harvest One, Andreas Gedeon, commented:**

“The second quarter of this year has been one of the most decisive in the history of our company. Harvest One and its subsidiaries have completed the transformation into fully operational entities.

With our supply chain now established on an international level, production and sales in place together with a solid balance sheet, the months ahead will give us the opportunity to focus on the substantial strategic opportunities that come with this first mover advantage in the Canadian market. We are looking forward to providing the market with further updates in the near future.”

– ENDS –

## ASX RELEASE

---

### For media and investor inquiries please contact:

**Andreas Gedeon**  
**Managing Director**  
**+1 (250) 713 6302**  
[agedeon@mmj.ca](mailto:agedeon@mmj.ca)

Released through Sam Burns, Six Degrees Investor Relations, M: +61 400 164 067



Follow us on Twitter @MMJPhytoTechLtd

<http://www.mmjphytotech.com.au>

### About MMJ PhytoTech Limited

**MMJ PhytoTech Limited (ASX: MMJ)** is focused on becoming a large-scale cannabis producer, targeting direct supply to the growing Canadian medical and recreational markets which will have an estimated combined value of C\$8-9 billion by 2024. The Company controls operations across the entire medicinal cannabis value chain through its ~60% interest in TSX-V listed **Harvest One Cannabis Inc** (TSXV: HVST) and its 100% interest in Israeli research and development subsidiary, **PhytoTech Therapeutics Ltd**, both of which are strategically located in favourable jurisdictions with supportive regulatory frameworks in place.

### About Harvest One Cannabis Inc.

**Harvest One Cannabis Inc. (TSXV: HVST)** controls operations across the entire cannabis value chain through three business units, with Harvest One serving as the umbrella company over horticultural arm United Greeneries and medical arm Satipharm AG. Each business is strategically located in favourable jurisdictions with supportive regulatory frameworks in place. United Greeneries has received a Canadian medicinal cannabis cultivation licence, making Harvest One one of only a few companies globally with the capacity to commercially cultivate cannabis in a federally regulated environment.



## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

MMJ PHYTOTECH LIMITED

**ABN**

91 601 236 417

**Quarter ended ("current quarter")**

30 June 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	25	35
1.2 Payments for		
(a) research and development	(58)	(499)
(b) product manufacturing and operating costs	(128)	(525)
(c) advertising and marketing	(167)	(518)
(d) leased assets	(49)	(150)
(e) staff costs	(484)	(2,054)
(f) administration and corporate costs	(410)	(2,840)
1.3 Dividends received (see note 3)		
1.4 Interest received	31	47
1.5 Interest and other costs of finance paid	(45)	(82)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,285)</b>	<b>(6,596)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3,111)	(3,297)
(b) businesses (see item 10)		
(c) investments		

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
(d) intellectual property	-	--
(e) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities (Repayments of loan to Director)	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material)	-	-
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>(3,111)</b>	<b>(3,297)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	4,000
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options	1,625	5,796
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(259)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(406)	(490)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other – Subscription funds held on trust pending exercise of share options in April 2017.	-	-
Other – Transactions with non-controlling interests	21,724	21,724
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>22,943</b>	<b>30,771</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	5,258	2,951
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,285)	(6,596)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,111)	(3,297)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	22,943	30,771
4.5	Effect of movement in exchange rates on cash held	24	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>23,829</b>	<b>23,829</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	23,799	4,195
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other: Term deposit	30	30
	Other: Subscription funds held on trust pending exercise of share options in April 2017		1,033
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>23,829</b>	<b>5,258</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	304
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	162
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Item 6.1 relates to Director's fees paid to directors as well as legal, company secretarial, accounting and office administration fees paid to Director Related entities.

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
-	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
-		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	295
9.2 Product manufacturing and operating costs	362
9.3 Advertising and marketing	140
9.4 Leased assets	7
9.5 Staff costs	769
9.6 Administration and corporate costs	717
9.7 Other: Capital expenditure in Harvest One	1,581
<b>9.8 Total estimated cash outflows</b>	<b>3,871</b>

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  .....  
(Company secretary)

Date: 31 July 2017

Print name: Erlyn Dale

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.