

ASX RELEASE

10 December 2018

Commonly asked questions

MMJ Group Holdings Limited (ASX: MMJ) ("MMJ") is pleased to provide answers to commonly asked questions on the structure, strategy, performance and outlook for MMJ as follows:

Structure: *What is a listed investment company ("LIC") and why did MMJ recently become a LIC?*

A LIC is an entity in which its main activities or the principal part of its activities relate to investing in listed or unlisted securities. LICs provide investors with exposure to an ASX-traded entity with a professionally-managed and diversified portfolio of investments.

MMJ's Board recently made the important decision to change MMJ into a LIC so that it could directly leverage the skills and capabilities of both the Board and management team in the best way possible to optimise risk-adjusted returns over both the short and long term.

As a LIC, MMJ is not permitted to take a controlling interest in any company in which it undertakes an investment.

By holding 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.

Accordingly, MMJ will continue to seek minority shareholdings in global cannabis companies and actively manage its portfolio of public and private companies. This active portfolio management approach will involve selective divestments from time to time as a result of, for example, mergers and acquisitions or on market share sales.

Portfolio management strategy: *What is MMJ's approach to the construction and management of its current global cannabis investment portfolio and any future investments?*

MMJ's short to medium-term investment strategy as a LIC is to invest in a portfolio of global cannabis investments that will deliver capital growth and profit from asset sales.

The timing of investments in the medium to long-term will be determined by when opportunities arise that MMJ believes can grow shareholder value based on a diligent risk-reward analysis.

MMJ remains focused on investing across the cannabis value chain where each investment has a strong leadership team and the potential to be a market leader, market consolidator or takeover target.

MMJ typically invests up to AUD\$5 million per opportunity with a 12-24 months investment horizon.

Canadian regulatory landscape: *What recreational, retail cannabis products are legal for sale to adults in Canada?*

Sales are currently limited to cannabis flower and oil extracts. MMJ understands that Health Canada will set the regulations for the legal sale of cannabis edibles (including beverages) within the next 12 months.

Performance measures: *What are the key performance measures for MMJ as a LIC and how and when will they be reported?*

Key measures of future performance for MMJ are its share price, net tangible assets ("NTA") per share, along with the multiple on invested capital ("MOIC") that MMJ can achieve from its investment portfolio.

The NTA per share will be announced each month by MMJ in accordance with its LIC requirements.

The portfolio MOIC is expected to be announced periodically as part of MMJ's investor presentations.

Targeted returns: *What are the targeted returns for MMJ's investment portfolio?*

MMJ is focused on generating a portfolio MOIC of at least 2x over the next 12 months. If achieved, based on MMJ's current unaudited invested capital balance of approximately AUD\$47 million and no change in its shares on issue, this would produce a materially higher NTA per share for MMJ's shareholders.

Harvest One: *What are MMJ's intentions in respect of Harvest One, currently the largest investment in MMJ's portfolio, and does MMJ need to own a certain percentage shareholding?*

As announced by MMJ's Board on 5 December 2018, MMJ's current strategy is to remain a major shareholder of Harvest One and support its management team in the execution of its business plan.

It is worth noting that Harvest One appointed a new Chief Executive Officer, Chief Operating Officer and General Counsel, and members to its Board of Directors during the last fiscal quarter 2019. This new team is in the process of executing a revised strategic direction for Harvest One.

MMJ is confident that the Harvest One management team will execute on its future business plan and that this should lead to an increase in the value of MMJ's shareholding in Harvest One.

MMJ owns 55,557,994 shares in Harvest One for a 30.5% shareholding and this remains MMJ's most significant investment to date. There is no regulatory or other requirement for MMJ to reduce its current shareholding in Harvest One and, as a LIC, MMJ is not permitted to take a controlling interest in Harvest One.

Capital management approach: *How does MMJ fund its new investments and corporate costs?*

MMJ funds its activities primarily through selective portfolio divestments which, to date, have been achieved by selling its stakes in private companies (for example, as a result of the takeover of Dosecann Inc earlier this year) and in public companies (for example, through partial on market divestments of shareholdings). Subject to portfolio liquidity at the time, MMJ may also seek to raise capital from debt or equity issues to meet the funding needs of its portfolio or to make new investments.

Outlook: *What is the outlook for MMJ's investment portfolio over the next 12 months?*

Please refer to MMJ's latest investor presentation dated 21 November 2018. It can be viewed at MMJ's web site: www.mmjgh.com.au/investors

Investor and Media Enquiries

Jason Conroy
Chief Executive Officer

About MMJ

MMJ Group Holdings Limited (ABN 91 601 236 417) is a global cannabis investment company. MMJ owns a portfolio of minority investments and aims to invest across the full range of emerging cannabis-related sectors including healthcare, technology, infrastructure, logistics, processing, cultivation, equipment and retail. For MMJ's latest investor presentation and news, please visit: <https://www.mmjgh.com.au/investors/>

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