

5 July 2016

HEALTH CANADA INSTATES TASK FORCE FOR THE LEGALIZATION OF RECREATIONAL MARIJUANA

Highlights:

- Health Canada instates Task Force to assist with design of a new regulatory framework for restricted recreational access to marijuana by November 2016
- MMJ's flagship Duncan Facility recently granted MMPR production license enabling strategic first mover advantage into ~\$5 billion market
- MMJ management's near-term focus is on scaling up production at Duncan Facility to supply existing medical cannabis markets

MMJ PhytoTech Limited (ASX: MMJ) ("MMJ" or "the Company") is pleased to advise that, on 30 June 2016, the Canadian federal regulatory authority Health Canada announced the creation of a Task Force on Marijuana Legalization and Regulation (the "**Task Force**").

This development is of particular significance to MMJ as the requirements for consumer protection and product quality control in the new system are anticipated to be similar to the existing Marihuana for Medical Purposes Regulations ("**MMPR**").

It also is expected that current Licensed Producers ("**LP**") under the MMPR will have a significant advantage in the new recreational market as early stage suppliers. The current Canadian recreational cannabis market is estimated to have a market value of up to CAD\$5 billion¹ per annum.

The Task Force consists of high-level experts in the fields of law enforcement, medicine, policy creation and health care administration. The Task Force's objectives are to consult with governments, industry, the public and all other relevant stakeholders in order to provide advice on the design of a new legislative and regulatory framework to the Ministers by November 2016. Furthermore, the Canadian government has committed to the introduction of the new regulatory system by Northern hemisphere Spring 2017 (Autumn in Australia), with full implementation expected to follow soon thereafter.

Canadian Recreational Market Background

In its December 2015 Speech from the Throne, the new Liberal Government of Canada reaffirmed its intent to "legalize, regulate, and restrict access to marijuana". A commitment has been made to create a new system of strict marijuana sales and distribution, with appropriate federal and provincial sales taxes applied, both to prevent youth from accessing marijuana and to curtail the illegal marijuana market that is benefitting organized crime.

¹ <http://business.financialpost.com/news/agriculture/canadian-marijuana-stocks-jump-as-liberal-wins-signals-legalization-on-the-table>

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To inform the design of that new system, the Ministers of Justice and the Attorney General of Canada, the Minister of Public Safety and Emergency Preparedness and the Minister of Health (the “**Ministers**”) have created the Task Force.

Currently, marijuana remains a Schedule II drug under the *Controlled Drugs and Substances Act* (“**CDSA**”), and, unless otherwise regulated for production and distribution for medical purposes, is subject to offence under the Act.

The new announced regulatory system for legalizing marijuana will allow regulated personal access for recreational purposes, without the requirement of any medical condition or physician oversight. It is expected to run in parallel to the MMPR and to be guided by the same strict approach to quality assurance and consumer protection.

Scaling up Production at Duncan Facility

On 28 June 2016, the Company’s wholly owned Canadian subsidiary United Greeneries Ltd (“**UG**”) became the 33rd authorized LP under the MMPR. MMJ has spent approximately CAD\$8 million and nearly three years establishing a world-class production facility, to ensure it met the stringent regulatory requirements and high entry barriers upheld by Health Canada.

UG is currently fully committed to ramping up production of medical cannabis at the Duncan facility. The stable in-house production of cannabis will also benefit MMJ’s broader supply chain for nutritional supplement products in Switzerland and the clinical efforts conducted by its subsidiary, PhytoTech Therapeutics, in Israel.

MMJ’s Managing Director, Andreas Gedeon, commented:

“The Company is very encouraged by Health Canada’s decision to invest in the establishment of a regulated recreational marijuana market in Canada, providing citizens with a safe means to access marijuana related products from verified suppliers.

Importantly, the legalization of the recreational market is expected to be a major value driver for MMJ and its shareholders, providing strategic access to an emerging market. As we have witnessed in states throughout North America, the legalization of recreational marijuana has been a key catalyst in allowing regulated cultivators entry into a growing market.

The Company’s short-term focus remains on generating near-term cash flow from the production of medical grade cannabis from our Duncan Facility to supply the existing MC market, with a continued focus on positioning UG as an early leader in the domestic recreational market in Canada.”

– ENDS –

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About MMJ PhytoTech Limited

MMJ PhytoTech is a Medical Cannabis company, which aims to commercialise Medical Grade Cannabis (MGC) and high potential cannabis based therapeutics products to the rapidly growing international market with regulated medical cannabis laws. The Company operates three subsidiaries with operations across the entire Medical Cannabis value chain, encompassing the Company's "Farm to Pharma" strategy.

Its **United Greeneries** subsidiary has growing facilities in Canada and is fully integrated with Agrichem Analytical, its quality control and testing laboratory. **Satipharm** has a number of key international distribution partnerships for the distribution of cannabinoid-based pharmaceutical, nutraceutical and wellness products.

Through its **PhytoTech Therapeutics** subsidiary in Israel the Company has an exclusive research and licensing agreement with Yisum, the prestigious Research Development and technology transfer Company of Hebrew University in Jerusalem, Israel, a global leader in medical cannabis research.