

ASX RELEASE

28 September 2016

## **MMJ TO UNLOCK SIGNIFICANT VALUE WITH LISTING OF CORE CANNABIS BRANDS ON TSX-V**

### **Highlights:**

- **Strategic spin out of Canadian subsidiary United Greeneries and Swiss subsidiary Satipharm by way of a reverse takeover of the TSX-V listed entity Top Strike Resources (TSX-V; TSR)**
- **TSX-V listing of core cannabis subsidiaries will provide MMJ shareholders with exposure to rapidly expanding Canadian cannabis market**
- **Top Strike to pay C\$2.5M in cash and C\$37.5M in shares to MMJ**
- **MMJ management to be responsible for operations of the resulting TSX-V listed company**
- **Direct market comparisons to Canadian peer companies expected to unlock significant near-term shareholder value**
- **Top Strike to become a large-scale cannabis producer targeting supply to the Canadian medical and recreational market, which is estimated to be an C\$8b market by 2024**
- **Black Spruce Merchant Capital to act as lead manager for the transaction providing extensive relationships into Canadian capital markets**

**MMJ PhytoTech Limited (ASX: MMJ)** (“**MMJ**” or “**the Company**”) is pleased to advise that it is set to unlock significant value for shareholders through the spin out of its core cannabis subsidiaries, United Greeneries Holdings Ltd (“**UG**” or “**United Greeneries**”) and Satipharm AG (“**Satipharm**”), on the TSX-V.

MMJ has signed a binding Term Sheet with TSX-V listed company Top Strike Resources Limited (TSX-V: TSR) (“**Top Strike**”), for Top Strike to acquire 100% of the issued shares of UG and Satipharm respectively.

The transaction, which remains subject to a number of conditions, including shareholder approval, provides MMJ shareholders with exposure to the rapidly growing recreational and medical cannabis markets in Canada. Post spin out, MMJ shareholders will, through their shareholdings in MMJ, have an indirect ownership in a fully-financed, growth-focused cannabis company with two key operating brands in UG and Satipharm.

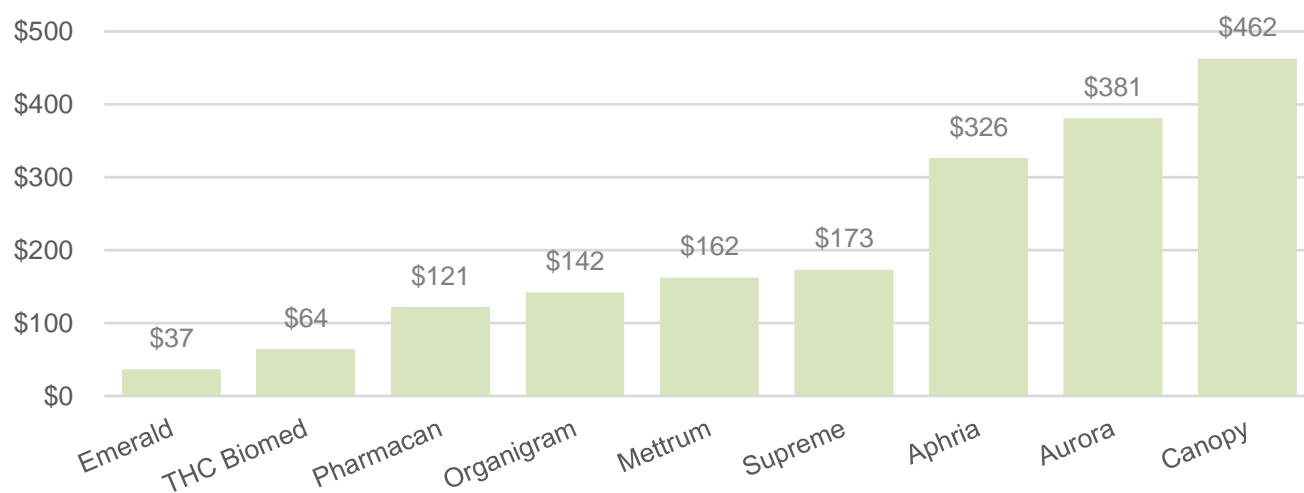
The aggregate sale price of UG and Satipharm (C\$40 million) represents approximately 97% of MMJ’s current market capitalisation (undiluted and based on a share price of A\$0.24).

### **Transaction Highlights / Key Benefits:**

- Post transaction, MMJ shareholders will have significant exposure to two of the largest commercial opportunities in the global cannabis sector.
- TSX-V listing to fast-track growth of both UG and Satipharm cannabis brands respectively, with robust growth pipelines and near-term revenue generating opportunities to be realised.
- Direct exposure to Canadian capital markets to be a significant value catalyst;
  - **Since March 1, 2016 over \$200M has been raised by MMJ's Peers<sup>1</sup>**
- Top Strike to become a pure play TSX-V cannabis company with world-class brands providing penetration into evolving recreational and medical cannabis markets globally.
- Combination of UG and Satipharm brands in the resulting issuer for capturing the entire spectrum of the Canadian recreational and medical cannabis market is expected to create a competitive advantage over single brand competition and to leverage Satipharm's oral delivery assets into the recreational market.

### **Canadian Peer Companies Market Capitalisation Comparisons:**

- Canadian listing will provide MMJ with a platform to trade in line with TSX-listed Peers<sup>1</sup>;
  - MMJ as a Licensed Producer (July 1, 2016 - present): Peers: +175% vs MMJ: -6%



**Figure 1: Sept-23-2016 Market capitalisation comparisons between Canadian ACMPR<sup>2</sup> Licensed Producers (C\$)**

<sup>1</sup>Peer Companies are Canopy Growth (CGC), Aphria (APH), Mettrum (MT), Organigram (OGI), Aurora (ACB), Supreme Pharma (SL), Pharmacan (MJN), Emerald Health (EMH), THC Biomed (BE).

<sup>2</sup> Access to Cannabis for Medical Purposes Regulations formerly Marihuana for Medical Purposes Regulations (MMPR)

**Transaction Overview and Key Conditions:**

- Top Strike will acquire 100% of the issued and outstanding common shares of United Greeneries Holdings Ltd and Satipharm AG from MMJ.
- United Greeneries and Satipharm will become wholly-owned subsidiaries of Top Strike and Top Strike will be re-named.
- MMJ and UG management team will form executive team of Top Strike.
- C\$40,000,000 by way of a combination of:
  - C\$2,500,000 in cash; and
  - 300,000,000 common shares of Top Strike at C\$0.125 per Top Strike Share.
- Additionally, Top Strike will reimburse MMJ for additional funds spent on the United Greeneries and Satipharm businesses prior to the transaction closing.
- Top Strike will undertake a concurrent equity financing for minimum gross proceeds of C\$15,000,000 through the issue of shares at a price not less than C\$0.125 each ("Financing").
- Completion of the transaction is subject to receipt of all required regulatory and shareholder approvals and other certain conditions precedent (including due diligence, completion of the Financing and execution of a definitive agreement).

**Canadian Cannabis Market Overview:**

The Canadian medical cannabis market is one of the most highly regulated and favourable operating jurisdictions globally. At present, there are 34 approved companies operating under the current regulatory framework, of which 10 are publicly listed in Canada.

The medical cannabis market in Canada is expected to grow to C\$3 billion in annual sales by 2024, with new patient enrolments in 2016 increasing by an average of 5,000 new patients per month – a total of 75,000 patients are enrolled at present.

A significant value catalyst for LP's will be the regulating of the Canadian recreational market, which has a conservative estimated value of circa C\$5 billion per annum.

The Canadian government has committed to the introduction of the new recreational regulatory system by the second half of calendar 2017. It is expected that existing LP's under the current regulatory framework will have a strategic first-mover advantage as early stage suppliers to this recreational market.

**Strategic Partnerships Moving Forward:**

The proposed TSX-V listing is designed to allow for greater direct market value comparisons between MMJ's world-class cannabis assets and existing TSX-V listed cannabis producers, while ensuring that the MMJ continues to benefit from the synergies of its vertically integrated business model.

MMJ's Israel-based subsidiary, Phytotech Therapeutics Ltd ("PTL") will transition towards becoming a pure play pharmaceutical brand with its supply chain secured by strategic long-term arrangements between United Greeneries, Satipharm and PTL.

**Canadian Lead Manager Black Spruce Merchant Capital:**

Black Spruce Merchant Capital Corp. ("Black Spruce") is a private merchant banking firm focused on providing specialised financing and advisory services.

Black Spruce have established a strong track record in the execution of mergers and acquisitions, and the firm's deep relationships into the Canadian capital markets will play an instrumental role in the successful completion of the transaction.

**Timeline:**

The Company expects the RTO transaction to be finalised and the resulting issuer to be traded on the TSX-V by no later than the end of December 2016.

**MMJ PhytoTech's Managing Director, Andreas Gedeon, commented:**

"The Company's decision to pursue the listing of United Greeneries and Satipharm on the TSX-V will be a transformational transaction for MMJ, aimed at delivering significant value appreciation to our shareholders.

The transaction provides MMJ shareholders with the opportunity to benefit from the significant value currently being realised by TSX-V listed cannabis producers such as Aphria, Canopy and Aurora. The Board has been assessing the merits of obtaining a public listing in Canada for some time, and Top Strike represents a compelling and timely opportunity.

MMJ shareholders will continue to benefit post transaction, from indirect exposure to the rapidly expanding Canadian cannabis market, and near-term revenues generated from increased Satipharm sales through key regulated markets globally.

We are very confident that our strategic market positioning and our capacity to rapidly scale up cannabis production at Duncan will be a major value catalyst for MMJ's shareholders in the near-term, and we look forward to providing further updates in due course."

**Change of Corporate Address:**

The Company hereby informs that it's address has changed from Suite 25 to Suite 5, 145 Stirling Highway, Nedlands, WA 6009 as of September 27, 2016.

**– ENDS –**

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

### **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 currently operates three subsidiaries with operations across the entire Medical Cannabis value chain.

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 Yissum, the prestigious Research Development and technology transfer Company of Hebrew University in Jerusalem, Israel, a global leader in medical cannabis research.