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MMJ Passes Critical Milestone in MMPR Licensing Process; Merger Significantly Derisked for PYL

Highlights

- MMJ Bioscience Inc. ("MMJ") receives pre-inspection readiness request from Health Canada for its Duncan facility that traditionally precedes the scheduling of a pre-licence.
- There are currently only 22 companies holding facilities licensed to produce medical cannabis ("MC") in Canada under the MMPR, with MMJ-PYL on track to become one of the next.
- Confidence in estimates of MC revenues greatly enhanced, expected timeline shortened
- PhytoTech Medical Limited to invest CDN\$275,000 in MMJ and, subject to conditions, advance a loan to MMJ of up to A\$1,000,000 to fast track both Cannabidiol ("CBD") pill sales in Europe and the grant of a MMPR licence to MMJ's Canadian Medical Cannabis growing facility in Duncan near Vancouver BC

PhytoTech Medical Limited (ASX: PYL) is pleased to report that MMJ has received from Health Canada a "confirmation of readiness letter" that precedes the scheduling of a pre-licensing inspection. This letter is very specific in nature



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requesting confirmation that every requirement of the MMPR is in place, operational and ready for inspection, as indicated in the following quote from the letter, "An affirmative response, and additional information provided in support to this email will be taken as confirmation by the applicant that all security features listed above are present, installed, and operational at the proposed site". Once this confirmation has been received, Health Canada can set the date for inspection. This letter also indicates that Health Canada is satisfied that MMJ's MC growing facility in Duncan, near Vancouver BC, is ready for pre-licence inspection.

MMJ is currently conducting an internal audit and working with a team of consultants that have assisted other licensed producers in passing the inspection process in an effort to eliminate possible deficiencies and designed to ensure a successful outcome. Once the internal audit is complete, MMJ will work with representatives of Health Canada to schedule the pre license inspection.

This is a critical step forward for MMJ and a significant value driver, emphasised by the substantially higher valuations – across all metrics - awarded to public companies in the Canadian market that have licensed facilities.

MMJ is now able to better estimate the timing of revenues from MC sales and, more importantly, United Greeneries' timeline to positive cash flow generation. The expected revenue from MC sales will complement revenues expected from Satipharm in timing and scope.

Andreas Gedeon, CEO of MMJ Bioscience Inc. commented:

"MMJ is now close to satisfying its first key commercialisation hurdle under its Canadian MC growing strategy. The latest communication from Health Canada



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has provided much more clarity on the timing of potential licensing and subsequent sales of MC from Duncan. Assuming the grant of a MMPR licence at Duncan occurs within a period of time consistent with the advice of our consultants, we are targeting revenues from the sale of MC before the end of this calendar year. When operating at full capacity, United Greeneries will be able to produce and sell up to 700,000 grams of MC per annum, with the current market price of MC typically between CDN\$7 and CDN\$10 per gram. This is intended to then be supplemented by the facility at Lucky Lake, where growing capacity could be a multiple of this amount. Beyond revenue generation, the strategic value of a MMPR license to the combined group is immeasurable and integral to the Company's Farm to Pharma strategy. We are one of a very small number of fortunate applicants to have ever received this letter from Health Canada and are elated by that fact."

In light of the above, PYL has made an investment in MMJ of CDN\$275,000 under a secured convertible debenture and has also agreed, subject to certain conditions, to advance a secured loan to MMJ of up to a further A\$1,000,000 to fast track both CBD pill sales in Europe and the grant of the MMPR licence to MMJ's Canadian MC growing facility in Duncan, Vancouver.

The importance of this loan cannot be understated. The working capital will enable MMJ's wholly owned Swiss subsidiary, Satipharm, to commence sales of CBD pill in Europe from July 2015.

Satipharm has developed a proprietary GMP-produced gastro-resistant CBD pill, which will be legally sold as a dietary supplement over the counter in Europe. From July 2015 on, Satipharm is targeting to sell a minimum of 30,000 CBD pills per month, ramping up to 135,000 per month, at a retail sales price of 3 Euro



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each. Satipharm's partner, AI FAME GmbH has begun production of the GMP-produced bulk CBD extract with first delivery expected to Satipharm's contract pill manufacturer for manufacturing into the proprietary sophisticated delivery system by May 1, 2015. Proceeds from the PYL loan will greatly expedite the setup of the required distribution network and minimal marketing program required.

This uniquely positions the merged group as a revenue and profit generating company in the near term. As the combined group further advances its pharmaceutical strategy, this near and mid-term expected cash flow generation will greatly reduce the reliance on dilutive equity financing to fund these growth initiatives.

Boaz Wachtel, Managing Director of PhytoTech Medical Limited commented:

"We are extremely pleased with the progress of our diligence on MMJ and look forward to advancing working capital to MMJ that will fast track its business plan. MMJ has ticked every box in the process to date and we very much look forward to completing this merger in the next two months. The news on the communication with Health Canada is fantastic and could not have come at a better time. Once the merger is complete, the new combined entity will come out of the gate with incredible momentum."

Cannabinoids, CBD and MMJ-PYL

What are they?

Cannabinoids are a class of diverse chemical compounds – including THC and CBD - that are contained in the cannabis plant. CBD is a non-psychoactive



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cannabinoid that has significant positive health benefits without the intoxicating effect of THC. In fact, CBD has been shown to counter the psychoactive effects of THC while simultaneously enhancing some of the positive effects of the cannabinoid.

For decades, recreational cannabis was bred to increase THC content resulting in the majority of strains containing significantly higher levels of THC (by factors of 2x-4x) than strains even 10-years ago. With the relaxation of MC laws worldwide, the focus has shifted to strains high in CBD. The highest priced buds purchased by patients or "genetics" (seeds & clones) purchased by cultivators are typically high CBD varieties. The anti-inflammatory action and resulting symptomatic relief provided by CBD is likely the biggest attraction for patients. However, much of the recent focus in the media has been on CBD's anticonvulsant properties. There are countless news pieces and documentaries focused on patients, many of whom are young children, being relieved of the symptoms of serious, life-threatening and debilitating rare epileptic disorders through the use of medical cannabis (or its derivatives) high in CBD. Some strains such as "Charlotte's Web" have become household names as a result of their ability to provide young patients relief. The Stanley Brothers and their "Charlotte's Web" strain, believed to be the highest CBD strain in the world with 20% CBD, received significant media coverage after an extract made from the strain virtually eliminated the 300 seizures per week a young girl named Charlotte with Dravet syndrome was suffering. An orally-administered liquid containing purified CBD received orphan drug status in the US in 2014, for use as a treatment for Dravet syndrome, under the brand name Epidiolex produced by GW Pharmaceuticals.

MMJ has access to high CBD strains, many of which took over five years to develop. The flagship of these strains is the "Canadian" strain which contains



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19.3% CBD and 0.97% THC which is remarkably similar to "Charlotte's Web". These strains will not only be a significant competitive advantage in the sale of dried buds under the MMPR but will also be of immeasurable strategic value in the implementation of the Farm to Pharma strategy.

Therapeutic Potential of CBD

Of all the primary cannabinoids, CBD is thought to have the greatest therapeutic potential across the greatest range of diseases. Scientific research has shown that CBD may be therapeutic for many conditions, including chronic pain, cancer, anxiety, diabetes, epilepsy, rheumatoid arthritis, PTSD, sleep disorders, alcoholism, cardiovascular disease, antibiotic-resistant infections, and various neurological ailments.

The demand for clinical-grade CBD for use in studies and clinical trials is significant but the majority of these studies are not undertaken as supply of clinical-grade CBD is virtually non-existent. The only way to naturally produce meaningful amounts of clinical-grade CBD in an economic fashion is through sophisticated extraction of high CBD strains that are cultivated in highly controlled environments. In addition to those impediments is the severely limiting 1961 UN Single Convention on Narcotic Drugs that, amongst other things, puts very onerous rules on the treatment and growth of narcotics for medicinal or scientific research purposes. Simply put, there are very few institutions in the world that have been sanctioned by their respective governments to produce these narcotics for medicinal purposes. GW Pharmaceuticals is one such institution. GW Pharmaceuticals is a public company with a market capitalisation of roughly US\$1.8 billion and has one drug approved in a handful of countries



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and another drug that recently received orphan drug status by the FDA. Both drugs are manufactured using extracts from 100% internally grown cannabis.

MMJ and PYL are on track to become another such institution. Once licensed, our "Farm to Pharma" strategy will be fully realised and we will be able to pursue the development of similar cannabis-based pharmaceuticals. In the meantime, MMJ's relationships in Europe allow the merged group to achieve the "Farm to Pharma" status, albeit not 100% internally.

The Market for CBD in Europe, the US and Worldwide

The high therapeutic potential of cannabinoids – particularly CBD – is being recognised by the public, governments, research institutes, pharmaceutical companies and other organisations world-wide. The merged entity is well positioned to take advantage of this growing acceptance and use of CBD as a supplement and potentially as a pharmaceutical. Sales of a proprietary GMP-produced gastro-resistant pill in the E.U. are expected to commence in July 2015 to help address some of this demand.

Significant demand coupled with limited supply is helping support very robust prices for CBD extracts and CBD-based products worldwide.

By simply examining the explosive growth in demand for CBD containing products in Europe and the United States it is very clear that the market for CBD as a supplement or natural health product is huge. Consumers are paying exorbitant prices for hemp oils, tinctures and other products that contain very low levels of CBD (5-20%). Further, one of the big concerns about the current



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products available on the market is the quality, consistency and significant amounts of contaminants left behind from crude extraction processes.

Satipharm's GMP-produced, gastro-resistant CBD dietary supplement utilising the Gelpell proprietary delivery system will be a first to market product of a quality that has never been available before. Further, it will be priced competitively to products of hugely inferior quality and purity. MMJ anticipates this pill will have significant demand in Europe.

Teams based in Canada, Australia, Europe and Israeli continue to assess market opportunities for CBD and other cannabinoids vis a vis the combined Company's capabilities and there is no shortage of opportunities on the horizon. The only limiting factor is availability of supply.

-Ends-

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PhytoTech Medical Limited

PhytoTech Medical 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. With research facilities located in Israel, a global leader in medical cannabis research, the Company is strategically positioned to become a key player in the global MGC market.

The Company is focused on the research, development and commercialization of products for administering MGC, and on new treatments utilising MGC therapeutic components for various medical conditions. In addition, the Company aims to grow proprietary strains of MGC in California, Uruguay and other jurisdictions.

PhytoTech has entered into an exclusive research and licensing agreement with Yissum, the prestigious Research Development and technology transfer Company of Hebrew University in Jerusalem, Israel. Yissum was founded in 1964 to protect and to commercialise the Hebrew University's intellectual property. Products based on Hebrew University technologies that have been commercialised by Yissum currently generate US\$2 Billion in annual sales. Ranked among the top technology transfer companies in the world, Yissum has registered over 8,500 patents covering 2,400 inventions; has licensed out 750 technologies and has spun out 90 companies. Yissum's partners span the globe and include names such as Microsoft, Johnson & Johnson, Syngenta, Monsanto, Roche, Novartis, Merck, Teva and many more.



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Using proprietary technology, PhytoTech's vision is to administer ground breaking health benefits of cannabinoids in oral preparations, vapor form, and other routes of administration in safe and effective ways.

<http://www.phytotechmed.com/>

About MMJ Bioscience Inc.

MMJ is a Canadian-based, global, vertically-integrated, cannabis-focused bioscience company specialising in supply chain optimisation and product development for the emerging global cannabis market. Its Canadian subsidiary, United Greeneries, is currently in the final stage of applying for a federal license under the Marihuana for Medical Purposes Regulations ("MMPR"). An integral part of MMJ's strategy is to approach medicinal cannabis in a multi-tiered fashion, with a global perspective and a strategy that positions the company in key segments of the legal cannabis supply chain. MMJ aims to continuously incorporate higher value verticals into the Company's product and service offerings in a disciplined and incremental fashion. United Greeneries will provide a robust cannabis and cannabinoid production capacity, enabling our group to actualise the medical potentials of Cannabis. Satipharm is MMJ's European pharma-initiative focused on the research, development and distribution of cannabis-based pharmaceutical, nutraceutical and cosmetic products. Satipharm's goal is to be the leader in this space by capitalising on its first-mover opportunities. To date, Satipharm has been able to create a platform by closing the loop from 'Farm to Pharma'. The European base allows Satipharm to take advantage of favourable narcotics laws in different countries and provinces within the European Union ('Jurisdictional Synergies'). MMJ has established a number of key international partnerships placing us well ahead of the curve when it comes



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to developing and distributing cannabis and cannabinoid-based pharmaceutical, nutraceutical and wellness products.

<http://mmj.ca/>