

31 October 2017

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

**MMJ PhytoTech Limited (ASX: MMJ)** (“MMJ” or “the Company”) is pleased to provide its quarterly activities report for the period ended 30 September 2017, together with its Appendix 4C.

### Quarterly Overview:

**Harvest One Cannabis Inc. (MMJ 59%):**

- **United Greeneries prepares importation of Satipharm capsules into Canada**
- **United Greeneries receives ACMPR sales and distribution amendment from Health Canada to sell dried marijuana to registered patients**
- **Satipharm obtains Free Sale Certificate from German regulators facilitating sale of CBD capsules in additional European jurisdictions**
- **Satipharm strengthens its distribution footprint across Europe**
- **Final regulatory approval granted for the distribution of prescription Satipharm CBD capsules into Australia**

**Corporate Activity:**

- **MMJ announces plans to expand its market position through further strategic investments within the global cannabis sector**
- **Managing Director delivers presentation to prestigious European biotech conference**
- **Haywood Securities and Banyantree issue research reports**

**Appendix 4C:**

- **Strong consolidated Group cash position at 30 September 2017 of approximately \$21.5 million (Parent only: approximately \$8.6 million)**

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### MMJ Strategy Expansion

Post quarter end, MMJ advised it would be expanding its market position through further strategic investments within the global cannabis sector, with plans including a proposed name change to “MMJ Capital Limited”.

Following the successful listing of United Greeneries Holdings Ltd (“United Greeneries”) and Satipharm AG (“Satipharm”) on the TSX-V through (“Harvest One”) (TSX-V: HVST), the Board of MMJ identified a number of independent strategic investment opportunities that have the potential to deliver significant value to the Company’s shareholders.

The new strategy will leverage MMJ’s robust cash position enabling the Company to act quickly and decisively when new investment opportunities arise. MMJ will target exposure to a range of global opportunities spanning the entire cannabis value chain in favourable jurisdictions.

MMJ will retain its 59% equity stake in Harvest One and 100% ownership of Israeli-based research and development company PhytoTech Therapeutics Limited (“PTL”). The Company also intends to recruit one or more industry or investment banking professionals to sit on a soon-to-be formed Investment Committee.

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

TSX-V-listed Harvest One continued to deliver solid operational progress during the September quarter, with significant developments achieved across its key operating divisions United Greeneries and Satipharm respectively.

### United Greeneries Operational Update

United Greeneries is a Canadian Licensed Producer (“LP”) focused on large-scale horticultural operations through its owned and operated Duncan growing facility.

#### Importation to Canada

United Greeneries has been preparing for the importation of Satipharm’s Gelpell CBD capsules into Canada for sale as medical cannabis product under its *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”).

The provision of Satipharm’s products to Canadian consumers is likely to give United Greeneries a significant first mover advantage in the Canadian market and be a strong catalyst for revenue growth in the near term. Satipharm’s Gelpell-CBD™ capsules are expected to be the first GMP-produced pharmaceutical-grade product available in Canada.

#### ACMPR sales license amendment

Post quarter end, United Greeneries received an amendment allowing it to sell dried marijuana to registered patients by Health Canada under its ACMPR licence.

United Greeneries has previously received the authorisation to cultivate cannabis under the ACMPR in June 2016 and commenced growing operations in December 2016, after the successful importation of 32 commercial cannabis varieties from Europe.

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United Greeneries currently has 220kg of dried cannabis buds in storage for immediate sale and has a strategic wholesale agreement in place, while the Company is setting up a retail distribution platform for the medical and upcoming recreational cannabis market in Canada.

### **Satipharm Operational Update**

Satipharm is a European pharmaceutical and nutraceutical business based in Cham, Switzerland, which is focused on the development of oral delivery technologies for emerging cannabis markets globally.

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

#### Free Sales Certificate as nutritional supplement issued by German authorities

Harvest One advised that Satipharm has been issued a "Free Sale Certificate" for its 10mg and 100mg Gelpell CBD Microgel capsule presentations from German authorities, which reduces constraints for international exports and removes final regulatory trading impediments with other EU jurisdictions.

The Free Sale Certificate officially establishes Satipharm's Gelpell-CBD™ capsules as a food supplement rather than a "novel food", and therefore clarifies certain legal concerns that have previously obstructed Satipharm's capsule marketing in some jurisdictions.

As a result, Satipharm expects to see an increased demand for the capsules across the EU and increased opportunities to enter other international jurisdictions, leading to sales and revenue growth.

#### Sales and distribution expands in Europe

Satipharm's distribution network has rapidly expanded, and now covers the major European markets of Germany, Poland, Denmark, United Kingdom, Ireland, Netherlands, Spain and Austria. In these countries, Satipharm's Gelpell-CBD™ capsules are now available through multiple sales channels including store front pharmacies, online retailers, Amazon, and mail order pharmacies.

Consequently, Satipharm has seen a significant increase in sales over the last few months with revenues growing month over month.

With some sizable contracts already in place, the Company anticipates revenue to be approximately CAD\$180,000 in the first quarter of the 2018 fiscal year, with further increases expected in the second quarter.

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### Final regulatory approval for prescription of CBD capsules in Australia

Satipharm's Australian-based distribution partner, HL Pharma, successfully imported its first shipment of Satipharm CBD capsules in May 2017. The initial shipment included two strengths of CBD capsules, 10mg and 50mg.

The Australian regulator, the Therapeutic Goods Administration (TGA), has determined a minimum quality standard for medicinal cannabis products with Therapeutic Goods Order No. 93 ("TGO 93"). Medicinal cannabis products must meet this quality standard prior to supply in Australia.

On 27 September 2017, Satipharm received final approval of compliance under TGO 93, making Satipharm's Gelpell-CBD™ capsules available for prescription by any registered medical practitioner in Australia.

### New formulations including THC

Satipharm's manufacturing partners in Switzerland have now received approval for the manufacture of Satipharm products containing tetrahydrocannabinol ("THC"). Satipharm expects the new formulations, following safety and stability testing, and subject to regulatory approval, to be available to medical cannabis patients in Canada and Australia by the first half of 2018.

### Satipharm Patent Cooperation Treaty (PCT) application

The Patent Cooperation Treaty (PCT) application submitted by Satipharm in February 2017 was published on 17 August 2017. This comprehensive patent application is directed at Satipharm's proprietary Gelpell-CBD™ product technology, and covers oral formulations utilising both singular and/or a combination of cannabinoids.

Once granted, the patent will be owned equally by Satipharm and its manufacturing partner Gelpell AG and will also cover, via an exclusive agreement, the cannabis-derived prescription drugs developed by PhytoTech Therapeutics, a wholly owned subsidiary of MMJ.

### **PhytoTech Therapeutics Limited (MMJ 100%)**

MMJ's wholly-owned, Israeli-based subsidiary, PhytoTech Therapeutics Limited is responsible for the Company's research and development 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.

PTL is currently undertaking its Phase 2 clinical trial, which is an open-label study aimed at evaluating the safety, tolerability and efficacy of orally administering PTL101 (Gellpell CBD formulation) as an adjunctive treatment to refractory epileptic children. This follows the successful completion of the Phase 1 trial in 2016.

In addition, PTL earlier this year received approvals from Helsinki (IRB of Sheba Clinical Site) and the Ministry of Health to conduct its Phase 2 clinical study into the safety and efficacy of its PTL201 (Gelpell CBD:THC formulation) capsules in treating spasticity-related symptoms of multiple sclerosis ("MS") patients.

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The Phase 2 study of PTL201 will be undertaken simultaneously with the ongoing PTL101 clinical trial and updates on the progress of both studies are expected to be reported in Q4 2017.

### **Corporate Activity Update**

#### Managing Director Presentation to Biotech in Europe Forum

Managing Director Andreas Gedeon addressed the 17<sup>th</sup> Annual Biotech in Europe Forum, which was held on 26-27 September 2017 at the Congress Center Basel in Switzerland.

The prestigious forum is recognised as a leading international platform for those interested in investing and partnering in the biotech and life science industry. It attracted a cross-section of early-stage/pre-IPO, late-stage and public companies, along with leading investors, analysts, money managers and pharmaceutical licensing executives.

Mr. Gedeon was invited to participate as a speaker on the 'Medical Cannabis and Opportunities in Europe' panel, which took place on Tuesday 26 September. The panel lasted approximately 45 minutes, and included a brief presentation by each speaker, along with a roundtable discussion and audience Q&A session.

#### Haywood Securities Research Report

During the quarter, Canadian broker Haywood Securities Inc. (Haywood) published an extensive research report on the Canadian cannabis sector, which included coverage of Harvest One. The report is available <http://www.mmjphytotech.com.au/>

The report was not commissioned by the Company or Harvest One, and no fees were paid to Haywood in connection with the report.

#### Banyantree Research Report

Banyantree Investment Group initiated coverage on the Company. A copy of the research is also available at <http://www.mmjphytotech.com.au/>

The Research Report was commissioned by the Company, and Banyantree was paid \$4,000 in connection with this report.

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#### For media and investor inquiries please contact:

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

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<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 ~59% 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 a Canadian license to cultivate and distribute medicinal cannabis, 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 September 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	21	21
1.2 Payments for		
(a) research and development	(88)	(88)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(73)	(73)
(d) leased assets	(50)	(50)
(e) staff costs	(876)	(876)
(f) administration and corporate costs	(1,218)	(1,218)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	8
1.5 Interest and other costs of finance paid	(3)	(3)
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>(2,279)</b>	<b>(2,279)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(423)	(423)
(b) businesses		
(c) investments		

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
(d) intellectual property	-	-
(e) intangible assets	(9)	(9)
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities (Repayments of loan to Director)</b>	-	-
<b>2.4 Dividends received</b>	-	-
<b>2.5 Other (provide details if material)</b>	1	1
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(431)</b>	<b>(431)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	200	200
3.4 Payment for monies held in trust	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
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	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>200</b>	<b>200</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	23,801	23,801
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,279)	(2,279)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(431)	(431)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	200	200



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	251	251
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>21,542</b>	<b>21,542</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	14,512	23,771
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Term deposit	7,030	30
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>21,542</b>	<b>23,801</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
114
-

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

**7. Payments to related entities of the entity and their associates**

- 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>Current quarter \$A'000</b>
-
-

-

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		

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9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	50
9.2 Product manufacturing and operating costs	496
9.3 Advertising and marketing	140
9.4 Leased assets	7
9.5 Staff costs	760
9.6 Administration and corporate costs	2,897
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>4,350</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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 October 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.