

31 January 2018

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

MMJ PhytoTech Limited (ASX: MMJ) (“MMJ” or “the Company”) is pleased to provide its quarterly activities report for the period ended 31 December 2017.

Quarterly Overview:

MMJ Investment Portfolio

- MMJ initiates strategy to expand market position through further strategic investments within the global cannabis sector
- Strategic investments in eSense-Lab (ASX:ESE) and Canadian private businesses Weed Me and Dosecann solidifies MMJ’s position in the rapidly evolving global cannabis sector

Harvest One Cannabis Inc. (MMJ holding 53,333,333 shares)

- Financing agreement entered into with Mackie Research Capital to undertake fully underwritten short form prospectus to raise up to C\$35 million
- United Greeneries receives ACMPR amendment to sell dried marijuana to registered patients in Canada
- United Greeneries enters LOI for the lease of a property in British Columbia to accelerate and expand production
- United Greeneries announces outdoor growing strategy for premium cannabis flowers, enters into a binding purchase agreement for 398 acres of agricultural land in British Columbia
- Launch of retail sales to commence in February 2018 from United Greeneries online platform
- Satipharm obtains Free Sale Certificate from German regulators facilitating sale of CBD capsules into Australia
- Final regulatory approval granted, distribution of prescription Satipharm CBD capsules commences to approved patients in Australia

PhytoTech Therapeutics (MMJ 100%)

- Phase 1 Clinical Trial Results published in international, peer-reviewed publication Clinical Pharmacology in Drug Development

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Australian Market Update

- **Federal Government approves export of medicinal cannabis products from Australia**

Corporate Activity:

- **PhytoTech Therapeutics (PTL) CEO Daphna Heffetz resigns, MMJ COO Catherine Harvey to oversee PTL R&D initiatives**

Appendix 4C:

- **Strong consolidated Group cash position at 31 December 2017 of approximately \$36 million (Parent only: approximately \$5.9 million)**

MMJ Investment Portfolio Overview

During the quarter, MMJ advised it would be expanding its market position through further strategic investments within the global cannabis sector, including a proposed name change.

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.

e-Sense Lab Ltd

In November, MMJ agreed to invest A\$500,000 in ASX-listed Israeli life sciences company eSense-Lab Ltd ("eSense" or "ESE") (ASX: ESE).

MMJ was issued 2,500,000 ordinary shares in eSense at the price of A\$0.20 per share. In addition, MMJ is entitled to receive 1 free option for every 2 shares issued at a \$0.30 exercise price and expiry date of 3 years from date of issue, subject to ESE shareholder approval.

In parallel with MMJ's cornerstone investment, ESE undertook a Share Placement ("the Placement") to raise up to A\$1,619,719 via the issuance of new fully paid ordinary shares to sophisticated investors at an issue price of A\$0.25 per share.

Following the completion of the Placement, MMJ holds approximately 3.51% shareholding in ESE.

In addition, MMJ subsidiary Harvest One entered into a collaboration agreement with ESE, with Harvest One providing technical expertise and its access to global networks.

ESE is a life sciences company specialising in the commercialisation of the phytochemical profiling of plants. It combines genetics, mRNA, protein expression and phytochemical profiles to generate a comprehensive model of rare and high value plants.

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Weed Me Inc.

MMJ finalised a C\$2 million strategic investment in Toronto-based near-term medicinal cannabis producer Weed Me Inc. ("Weed Me") in December.

Under the finalised agreement, investment terms include a pre-money valuation of C\$9.2 million. MMJ subscribed for C\$2 million in secured convertible debentures, which are convertible in shares and warrants in Weed Me based on this valuation.

Importantly, MMJ retains security over the property via its investment in Weed Me.

This funding enabled Weed Me to advance the construction and fit out of its Facility in Ontario to strategically coincide with the legalisation of the recreational market.

Through the strategic investment, MMJ further strengthened its position in the Canadian cannabis sector, via its respective holdings in Harvest One and Weed Me.

Established in 2016, Weed Me's short-term strategy is to become a Licensed Producer ("LP") with its Access to Cannabis for Medical Purposes Regulations ("ACMPR") application currently at the security clearance stage with Health Canada. A Cultivation License is expected to be granted to Weed Me prior to the end of March 2018.

Dosecann Inc.

Post-quarter end, the Company entered into an agreement to acquire a strategic stake in private, Canadian-based healthcare company Dosecann Inc. ("Dosecann"), via the proposed placement of C\$2.5 million in secured convertible debenture units.

Dosecann is a Canadian-based private specialty pharma company that has built a team of experienced scientists, doctors and business leaders. Dosecann is looking to complete the staged buildout of a 45,000ft² GMP pharmaceutical level production facility. Dosecann offers unique solutions to the emerging cannabis industry for numerous medical conditions.

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

Harvest One enters financial agreement with Mackie Research Capital

Post-quarter end, Harvest One entered into an engagement letter with Mackie Research Capital Corporation (as the lead underwriter and sole bookrunner), on behalf of a syndicate of Underwriters, including Haywood Securities Inc., and Eight Capital, to purchase a short form prospectus offering to \$35,000,000 of Debenture Unit ("Units") of the Company, at a price of \$1.82 per Unit (the "Offering Price").

The Company intends to use the net proceeds of the Offering for the expansion of strategic indoor growing facilities, further development of its Satipharm Gelpell products, and for working capital and general corporate purposes.

MMJ holds 53,333,333 common shares in Harvest One.

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United Greeneries Operational Update

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

Launch of retail sales in February 2018

Post-quarter end, United Greeneries announced it will launch a new online retail platform for medical clients under the ACMPR starting in February 2018.

With over 325kg of dried cannabis currently in stock for immediate sale, the initial offering will consist of two distinct cannabis brands, providing patients a wide range of different strains and cannabinoid profiles.

United Greeneries’ signature product line *Captain’s Choice*[™] consists of blended, high-quality ground flowers

The company’s premium brand *Royal High*[™] will feature prime quality cannabis flowers of selected varieties, initially consisting of Serious Kush, Great White Shark, Super Skunk, 8 Ball Kush and Chocolope.

ACMPR sales license amendment

During the quarter, 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.

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.

UG enters LOI for lease of property to accelerate and expand production capacity

On 20 November 2017, UG entered a letter of intent (“LOI”) with a third party for the lease of a property in Chemainus, BC (“Chemainus Facility”) to accelerate and expand production capacity.

The Chemainus Facility is a previous industrial lumber kiln drying plant and, due to its industrial power supply and existing useable building envelopes, is extremely well-suited for a retrofit into a cannabis indoor cultivation facility. Detailed design work on the facility has commenced along with the necessary licensing integration activities.

The LOI also provides UG a lease option on a further 8 acres on the site, which could ultimately produce in excess of 35,000kg per year on a full build out and expansion scenario.

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UG outlines cannabis outdoor growing strategy

In December 2017, United Greeneries entered into a binding purchase agreement for 398 acres of agricultural land (the "Property") in British Columbia, as part of the advancement of its cannabis outdoor growing strategy.

The Property is located in a unique geographical location in the Province of British Columbia that displays climate characteristics during the vegetative period of cannabis which the Company believes are comparable to Northern California.

United Greeneries secures Canadian import license

Post-quarter end Harvest One, through United Greeneries, received an initial import license to become a Licensed Dealer under the Canadian Narcotics Control Act, in order to allow for the importation of Satipharm capsules to Canada.

After successful importation, the capsules will be sold as a medical product under the Company's ACMPR licence.

For further information regarding the aforementioned United Greeneries announcements, please visit <https://www.harvestone.com/news/2017/>.

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 Microgell 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.

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Final regulatory approval received, distribution of prescription of CBD capsules commences 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.

In November, HL Pharma commenced distribution of Satipharm's Gelpell-CBD capsules to approved patients in Australia. The Gelpell-CBD capsules are one of the first medicinal cannabis products available to approved patients in Australia.

For further information regarding the aforementioned Satipharm announcements, please visit <https://www.harvestone.com/news/2017/>.

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.

Phase 1 Clinical Trial Results Published in International Medical Journal

During the quarter, results from the Phase 1 Clinical Trial undertaken by PhytoTech were published. The article "Single-Dose Pharmacokinetics of Oral Cannabidiol Following Administration of PTL101: A New Formulation Based on Gelatin Matrix Pellets Technology" was published in Clinical Pharmacology in Drug Development ("CPDD").

Established in 2012, CPDD is an international, peer-reviewed publication and the official journal of the American College of Clinical Pharmacology, providing a forum for the presentation of first-time-in-man study results.

Corporate Activity

Key Management Changes

During the quarter, MMJ advised that PhytoTech Therapeutics Chief Executive Officer, Dr Daphna Heffetz, resigned effective from 31 December 2017.

Current MMJ Chief Operating Officer Catherine Harvey is leading PTL's research and development initiatives following the departure of Dr Heffetz.

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Australian Market Update

Federal Government Approves Medicinal Cannabis Exports

On 4 January, Federal Government Health Minister Mr. Greg Hunt outlined the Government's plans to allow the export of medicinal cannabis products from Australia.

Commenting on the announcement, Mr Hunt said:

"Allowing the export of medicinal cannabis products will help the developing domestic market to grow further.

"We believe it is appropriate to amend the regulations governing the export of cannabis products to provide a level playing field."

This announcement further underpins MMJ's investment strategy in Australia and abroad in the medicinal cannabis sector, aimed at further leveraging the Company's global distribution networks and cannabis cultivation expertise.

Management Commentary

MMJ's Managing Director, Andreas Gedeon, commented:

"The December quarter was another highly productive period for the Company, highlighted by the broadening of our strategic direction to become a market-leading incubator for global cannabis investments.

"In line with this strategy, the Board has been actively assessing a number of investment opportunities spanning the entire cannabis value chain, and we are excited to have delivered three compelling opportunities to our shareholders via investments in e-Sense, Weed Me and Dosecann respectively.

"With a number of additional opportunities under consideration and our Canadian subsidiary Harvest One continuing to perform strongly, MMJ is well positioned to unlock considerable value for its shareholders over the next 12 months."

– ENDS –

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

About MMJ PhytoTech Limited

In October 2017, MMJ PhytoTech Limited (ASX: MMJ) announced its strategy to become an incubator for strategic investments across regulated jurisdictions globally covering the entire cannabis value chain.

Following the successful listing of United Greeneries Holdings Ltd ("United Greeneries") and Satipharm AG ("Satipharm") on the TSX-V through Harvest One Cannabis Inc. (TSX-V: HVST), MMJ has focused on the identification of a number of independent strategic investment opportunities that have the potential to deliver significant value to the Company's shareholders.

MMJ is actively pursuing early stage opportunities with the ability to deliver significant future revenue and the opportunity to provide dramatic global synergistic value as regulatory frameworks in key international markets continue to evolve. MMJ is targeting the full range of emerging cannabis-related sectors including healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment, R&D, hemp food products and retail.

MMJ currently holds an equity stake of 53,333,333 in Harvest One, 100% ownership of Israeli-based R&D division PhytoTech Therapeutics Limited ("PTL") and strategic holdings in e-Sense Lab Limited (ASX: ESE) and private Canadian-based company WeedMe Inc.

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")

31 December 2017

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 43 | 64 |
| 1.2 Payments for | | |
| (a) research and development | (15) | (103) |
| (b) product manufacturing and operating costs | (5) | (5) |
| (c) advertising and marketing | (57) | (130) |
| (d) leased assets | (49) | (99) |
| (e) staff costs | (898) | (1,774) |
| (f) administration and corporate costs | (2,040) | (3,258) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 56 | 64 |
| 1.5 Interest and other costs of finance paid | (63) | (66) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (3,028) | (5,307) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (208) | (631) |
| (b) businesses | - | - |
| (c) investments (ESE and Weed Me Inc.) | (2,549) | (2,549) |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| (d) intellectual property | - | - |
| (e) intangible assets | (1) | (10) |
| 2.2 Proceeds from disposal of: | | |
| (a) property, plant and equipment | - | - |
| (b) businesses | - | - |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities (Repayments of loan to Director) | - | - |
| 2.4 Dividends received | - | - |
| 2.5 Other (provide details if material) | (23) | (22) |
| 2.6 Net cash from / (used in) investing activities | (2,781) | (3,212) |

| | | |
|--|---------------|---------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | - | - |
| 3.2 Proceeds from issue of convertible notes | - | - |
| 3.3 Proceeds from exercise of share options | 641 | 841 |
| 3.4 Payment for monies held in trust | - | - |
| 3.5 Proceeds from borrowings | - | - |
| 3.6 Repayment of borrowings | - | - |
| 3.7 Other – Proceeds from exercise of warrants | 675 | 675 |
| 3.8 Other – Proceeds from issue of convertible debentures | 19,130 | 19,130 |
| 3.9 Other (provide details if material) | 1 | 1 |
| 3.10 Net cash from / (used in) financing activities | 20,447 | 20,647 |

| | | |
|---|---------|---------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date | 21,542 | 23,801 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (3,028) | (5,307) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (2,781) | (3,212) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | 20,447 | 20,647 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | (79) | 172 |
| 4.6 | Cash and cash equivalents at end of quarter | 36,101 | 36,101 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 36,071 | 14,512 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Term deposit | 30 | 7,030 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 36,101 | 21,542 |

| 6. | Payments to directors of the entity and their associates | Current quarter \$A'000 |
|-----------|--|------------------------------------|
| 6.1 | Aggregate amount of payments to these parties included in item 1.2 | 145 |
| 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 | |

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 | Current quarter \$A'000 |
|-----------|--|------------------------------------|
| 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 | |

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| 8. Financing facilities available <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. Estimated cash outflows for next quarter | \$A'000 |
|--|--------------|
| 9.1 Research and development | 50 |
| 9.2 Product manufacturing and operating costs | 559 |
| 9.3 Advertising and marketing | 140 |
| 9.4 Leased assets | 49 |
| 9.5 Staff costs | 773 |
| 9.6 Administration and corporate costs | 1,450 |
| 9.7 Other (provide details if material) | - |
| 9.8 Total estimated cash outflows | 3,021 |

| 10. Acquisitions and disposals of business entities | 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:  Date: 31 January 2018
(Company secretary)

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.