

12 December 2017

MMJ Expands Canadian Cannabis Footprint via Strategic Investment in Late-Stage ACMPR Applicant Weed Me Inc.

- **Weed Me is a late stage ACMPR applicant based in Canada's most populated province, Ontario, with the granting of a Cultivation License expected within the next 120 days**
- **Weed Me is targeting entry into the estimated C\$8 billion Canadian medical and recreational market in 2018 as a high quality, large-scale cannabis producer**
- **Weed Me's innovative growing strategies and technological advancement have, in research and development trials, proven to generate 300% more high quality yield per square foot than the industry average. In a 20,400 ft² facility, this has the capacity to produce 4,000 KG of pharmaceutical grade cannabis per annum**
- **Weed Me intends to expand its operations into an additional 100,000 ft² state of the art facility located at the same address as the current facility by the beginning of 2019 and will, when completed, be able to produce a total of 25,000 KG per annum**
- **Weed Me's strategic location in Pickering, Ontario has enabled it to draw on the best talent available in the market and has set Weed Me to become a logistics powerhouse in the Greater Toronto Area**
- **Strategic investment increases MMJ's direct exposure to the rapidly expanding Canadian cannabis market ahead of legalisation of recreational market in July 2018**
- **Following completion of this investment, MMJ maintains a robust cash position in excess of A\$6m**

MMJ PhytoTech Limited (ASX: MMJ) ("MMJ" or "the Company") is pleased to advise that it has entered into an agreement to strengthen its position in the Canadian cannabis sector via the proposed subscription of C\$2 million in secured convertible debentures ("**Debentures**") in Toronto-based Weed Me Inc. ("**Weed Me**"). The Debentures are convertible into shares and warrants in Weed Me based on a pre-money valuation of C\$10 million.

Post transaction, MMJ will have a significantly increased exposure to the burgeoning Canadian cannabis sector, via its 59% holding in Harvest One Cannabis Inc. (TSXV: HVST) and its strategic investment in near-term producer Weed Me.

The Canadian cannabis market is one of the most highly regulated and favourable operating jurisdictions globally, with established Licensed Producers ("**LP**") set to derive significant commercial benefit from the legalisation of the recreational cannabis market in July 2018.

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Importantly, the investment by MMJ will provide Weed Me with the necessary funding to complete the construction and fit out of its proposed cannabis facility in Pickering, Ontario (the “**Facility**”) to strategically coincide with the legalisation of the recreational market.

Further terms of the Debentures are outlined at the end of this announcement.

About Weed Me Inc.

Established in 2016, Weed Me’s short-term strategy is to become a LP with its Access to Cannabis for Medical Purposes Regulations (“ACMPR”) application currently at the ‘Active Review’ stage with Health Canada. A Cultivation License is expected to be granted to Weed Me within the next 120 days (following completion of the fit out of its Facility).

Weed Me has fully-purchased and commenced the fit out of the Facility, which leverages a number of competitive advantages including a tiered growing strategy which provides double the growing space across the same surface area.

Other key competitive advantages of the Weed Me growing facility include:

- No soil required - plants need light, water and air
- Extensive 18 months of R&D completed on cultivation technology and lights
- Unique cultivation techniques with proven record of 2.5lb-3lb per light and 6 annual cycles
- Small grow rooms to minimize the risk for crop failure
- Adjacent property secured to support growing demand and expansion strategy
- World-class team already in place – funding to allow immediate scale-up of operations
- Strong industry partnerships – well positioned to secure near-term offtake agreements

A development timeline based on the proposed construction and expansion of Weed Me’s Facility is outlined below:

- **Phase 1** – Fit out of initial 8,000ft² growing facility expected to be completed in February 2018
- **Phase 2** – Expansion of growing facility to total 20,400 ft² and securing of Sales License expected June 2018
- **Phase 3** – Further expansion of the growing facility to a total of 120,000ft² by January 2019

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Canadian Cannabis Market

Canada remains the pre-eminent cannabis market globally, with the industry continuing to mature ahead of the legalisation of recreational cannabis, with a number of the industry's major players considering strategic consolidation opportunities to solidify their market position.

On 13 April 2017, the Government of Canada announced new laws legalising recreational marijuana, with the new legislation set to come into effect on 1 July 2018, establishing Canada as the largest federal jurisdiction in the world to legalise cannabis consumption, and the first G7 country to legalise cannabis.

According to Deloitte's 2016 Insights and Opportunities Report¹ on Recreational Marijuana Report (done in partnership with Toronto's RIWI Corp), Deloitte estimates suggest that on sales of recreational marijuana, the Canadian marketplace could be as much as C\$5 billion per year from year one. Deloitte also estimates marijuana sales could be as high as C\$8.7 billion per year from the outset when factoring in people who are 'likely to consume' marijuana.

When factoring in relevant ancillaries such as security, transportation, etc., the potential economic impact approaches C\$23 billion per year (excluding potential upside from taxes, licensing fees, and tourism).

Weed Me has a stated intention to listed on either TSX-V or ASX in the 2018 Canadian Summer (June to August) to coincide with the legalisation of sales of recreational cannabis in Canada. The table below identifies the market capitalisations of the main listed LPs in Canada and provides some insight into the returns that MMJ is seeking to achieve through this investment in the short term.

Largest Public Canadian Licensed Producers (As of December 8th, 2017)

Licensed Producer	Market Cap \$millions	Current Capacity Kg/pa	Funded Capacity Kg/pa
Canopy Growth Corporation	\$3,695	21,100	200,000
Aurora Cannabis Inc.	\$2,836	5,500	108,800
Aphria Inc	\$2,041	9,000	100,000
MedReleaf Corp.	\$1,467	9,800	35,000
Cronos Group Inc.	\$671	5,150	45,150
CannTrust Holdings Inc.	\$669	3,600	43,600
CanniMed Therapeutics Inc.	\$457	7,000	18,000
OrganiGram Holdings Inc	\$402	5,200	65,000
The Hydrophothecary Corporation	\$251	3,600	25,000
Emblem Corp.	\$151	650	17,000
Invictus MD Strategies Corp.	\$131	1,480	15,061
Harvest One Cannabis Inc.	\$98	1,000	20,000

[Source: Capital IQ, and Company Filings. Echelon Wealth Partners and Haywood Securities Cannabis Reports.

¹ https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-en-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20ENGLISH%20FINAL_AODA.pdf

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MMJ further notes that the value of its investment in Harvest One Cannabis Inc (“**Harvest One**”) has increased by more than 70% since Harvest One listed on TSX-V (based on the closing price of C\$1.28 on 11 December 2017 as compared to the initial listing price of C\$0.75).

MMJ’s Managing Director, Andreas Gedeon, commented:

“The Board has been actively assessing a number of potential investment opportunities globally, and we believe the Weed Me business represents a compelling and well-timed opportunity to strengthen our position in the Canadian market.

“As the Canadian market continues to mature and evolve ahead of the proposed legalisation of recreational cannabis in July next year, the decision to acquire a significant stake in a soon-to-be Licensed Producer has the potential to deliver significant near-term value for our shareholders.

“Weed Me is an exciting cannabis start-up with a very robust, low-cost cultivation strategy which we believe will benefit significantly from the added technical and funding support provided by MMJ. We look forward to advancing this partnership in the near-term.”

Weed Me's Co-Founder, Benny Presman commented:

“As we enter a new era of legalized medical and soon-to-be recreational cannabis, we are thrilled to see two major things evolve, one being Canada's leading role in this world-wide revolution and the other is the millions of people that will benefit from the medicinal values of this plant.

“After considering numerous financial partners, we have decided that collaboration with MMJ will benefit us the most both in the short and the long term.

“We are excited and looking forward to joining forces with our new investment partners, and trust that MMJ’s vast experience and funding support will provide the right platform for Weed Me to showcase its innovative and efficient cultivation methods, as well as, introduce our 3 recreational brands come legalisation day on July 1st, 2018.”

Transaction Summary

The Debentures will attract an interest rate of 8% per annum, having a maturity date of two years and are secured over Weed Me and its assets, ranking behind a C\$2 million debt owing to the bank by Weed Me. The property on which the Facility is located is considered to be valued at approximately C\$3.5 million. The investment by MMJ is therefore largely secured by the value of the property.

The Debentures are also convertible in whole or part at the election of the MMJ into fully paid common shares of the Company (“Shares”) and warrants to acquire Shares (“Warrants”).

Subject to the adjustment clause below, each Debenture may be converted into Shares (at any time by the Noteholder) based on a pre-money valuation (on a fully diluted basis) for Weed Me of approximately C\$10 million.

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In the event that:

1. Weed Me has not secured a cultivation licence under the ACMPR ("**Cultivation Licence**") on or prior to 120 days from the date MMJ provides funding for the Debentures; or
2. the funding to complete the fit out of the Facility to a sufficient standard to secure the Cultivation Licence exceeds C\$2.5 million,

each Debenture may be converted into Shares (at any time by MMJ) based on a lower agreed valuation.

MMJ has agreed to convert the Debentures into Shares and Warrants on the earlier of Weed Me (a) securing both a cultivation licence and sales licence under the ACMPR (b) completing a listing on a stock exchange or completing a transaction where all of the shareholders of the Company receive shares listed on a stock exchange in exchange for their shares in the Company that values the Company's equity (on a fully diluted basis) at C\$20 million or greater; or (c) sale to a third party that values the Company's equity (on a fully diluted basis) at C\$20 million or greater.

For every one Share issued on conversion of the Convertible Debenture, MMJ will be issued one Warrant (with an exercise price equal to 150% of the conversion price of the Debentures and an expiry date 3 years from their date of issue).

Further to this, MMJ will be granted an exclusive right of first refusal ("ROFR") to participate in the Company's next equity financing on a first priority basis up to the first C\$5 million raised by the Company in the next equity or debt financing following the issue of the Debentures to MMJ in accordance with the agreement.

The issue of the Debentures to MMJ remains subject to conditions including completion of due diligence by MMJ and execution of formal documentation.

– ENDS –

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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 received a Canadian medicinal cannabis cultivation licence, making Harvest One one of only a few companies globally with the capacity to commercially cultivate cannabis in a federally regulated environment.