

**MMJ PHYTOTECH LIMITED
(TO BE RENAMED “MMJ GROUP HOLDINGS
LIMITED”)
ACN 601 236 417**

PROSPECTUS

For an offer of up to 2,000 Shares at an issue price of \$0.50 per Share to raise up to \$1,000 (Offer).

Completion of the Offer is conditional upon satisfaction of the Conditions, which are detailed further in Section 6.2 of the Prospectus. No Shares will be issued pursuant to this Prospectus until such time as the Conditions are satisfied.

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered highly speculative.**

CONTENTS

1.	CORPORATE DIRECTORY.....	1
2.	INDICATIVE TIMETABLE.....	2
3.	IMPORTANT NOTICE	3
4.	INVESTMENT OVERVIEW.....	5
5.	OVERVIEW OF MMJ PHYTOTECH LIMITED.....	19
6.	DETAILS OF THE OFFER.....	23
7.	COMPANY OVERVIEW UPON COMPLETION OF THE TRANSFORMATION.....	28
8.	RISK FACTORS	33
9.	BOARD, MANAGEMENT AND CORPORATE GOVERNANCE	41
10.	MATERIAL CONTRACTS	46
11.	ADDITIONAL INFORMATION	51
12.	DIRECTORS' AUTHORISATION	69
13.	GLOSSARY.....	70
	ANNEXUERE A - INVESTIGATING ACCOUNTANT'S REPORT	72

1. CORPORATE DIRECTORY

Directors

Peter Wall
Non-Executive Chairman

Doug Halley
Non-Executive Director

Winton Willesee
Non-Executive Director

Company Secretary

Jim Hallam

ASX Code

MMJ

Solicitors

Steinpreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Investigating Accountant

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco, WA, 6008

Registered Office

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Sydney NSW 2000

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Share Registry

Automic Registry Services
Level 2
267 St Georges Terrace
Perth, WA, 6000

Telephone: +61 1300 288 664
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Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA, 6008

Authorised Intermediary

Barclay Wells Ltd
AFSL 235070
Suite 1, 22 Railway Road
Subiaco WA 6008

2. INDICATIVE TIMETABLE

Action	Date
Execution of the SSA	25 June 2018
Announcement of the Disposal	25 June 2018
Notice of General Meeting to approve the Disposal sent to Shareholders	29 August 2018
Lodgement of Prospectus with the ASIC	28 September 2018
Offer opens	28 September 2018
Closing date	2 October 2018*
General Meeting to approve the Disposal	5 October 2018*
Re-quotation of MMJ Shares on ASX	12 October 2018*

*These dates are indicative only and subject to change. The Directors reserve the right to vary these dates, including the Closing Date, without prior notice.

3. IMPORTANT NOTICE

This Prospectus is dated 28 September 2018 and was lodged with the ASIC on that date. The ASIC and ASX and their officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares which are the subject of this Prospectus should be considered highly speculative.

3.1 Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.mmjphytotech.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

3.2 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 8 of this Prospectus.

3.3 Conditional Offer

The Offer is subject to a number of conditions. Refer to Section 6.2 for further details.

4. INVESTMENT OVERVIEW

This Section is a summary only and is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
A. Company		
Who is the issuer of this Prospectus?	MMJ PhytoTech Limited (to be renamed "MMJ Group Holdings Limited") (Company) is a public company listed on the Official List (ASX code: MMJ).	Section 5.1
Who is the Company?	MMJ was incorporated on 14 August 2014 and was admitted to the Official List of the ASX on 22 January 2015. Until late last year, MMJ's strategy had focused on establishing a vertically integrated "farm to pharma" medical cannabis business model. On 10 October 2017, MMJ announced its intention to begin shifting its operational focus toward that of a global cannabis investment company.	Sections 5.1 and 7
B. Disposal and Transformation		
What is the Disposal?	MMJ has entered into a binding share sale agreement (SSA) pursuant to which it has conditionally agreed to sell its wholly-owned subsidiary PhytoTech Therapeutics Ltd (PTL) to Harvest One Cannabis Inc. (HVT) for total consideration of CAD\$8 million (Disposal).	Sections 5.1, 6.4 and 10.1
What is the Transformation?	ASX has advised that it considers that the Disposal will result in the Company, and the business which remains, becoming an Investment Entity and will therefore amount to a significant change in the nature of the Company's current activities (Transformation). As such, the Company is required to obtain approval from its Shareholders pursuant to ASX Listing Rule 11.1.2 and to re-comply with Chapters 1 and 2 of the ASX Listing Rules. Upon completion of the Transformation, and subject to Shareholder approval being obtained, the Company will change its name to "MMJ Group Holdings Limited".	Sections 5.1, 5.4 and 7
What are the key steps of the Transformation?	The key steps of the Transformation are as follows: (a) the Company receiving Shareholder approval at the Meeting, which is proposed to be held on 5 October 2018, in accordance with the postponement announced on 28 September 2018, for the Essential Shareholder Approvals as per the Notice of Meeting dated 24 August 2018. Following the General Meeting, the Company will enter voluntary suspension;	Section 5.4

Item	Summary	Further information
	<p>(b) the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules;</p> <p>(c) settlement of the Disposal will occur, upon the satisfaction of the Conditions; and</p> <p>(d) the Company proposes to change its name to “MMJ Group Holdings Ltd” to better reflect its Transformation into a Listed Investment Company.</p> <p>Please refer to the Notice of Meeting for additional information regarding the Transformation and Disposal.</p>	
<p>C. Offer and Re-compliance with the ASX Listing Rules</p>		
<p>What is being offered?</p>	<p>The Company invites applications for up to 2,000 Shares at an issue price of \$0.50 per Share, to raise up to \$1,000.</p> <p>The Prospectus is being issued for compliance and disclosure purposes in accordance with the Company’s re-admission under Listing Rule 11.1.3 and not for fundraising purposes.</p> <p>The key information relating to the Offer, including the purpose of the Offer is set out in Section 6.</p>	<p>Section 6.1</p>
<p>What are the Conditions of the Offer?</p>	<p>The Offer is conditional upon the following events occurring:</p> <p>(a) settlement of the Disposal; and</p> <p>(b) the Company receiving conditional approval from ASX that the Company’s Shares will be readmitted to the Official List of the ASX subject to the satisfaction of certain conditions on the terms acceptable to the Company.</p> <p>The Shareholder approvals required for completion of the Disposal are pursuant to:</p> <p>(a) ASX Listing Rule 10.1 approval for the Disposal to HVT (refer to Resolution 1 of the Notice of Meeting); and</p> <p>(b) ASX Listing Rule 11.1.2 approval authorising the change of nature of activities of MMJ (as applicable) (refer to Resolution 2 of the Notice of Meeting).</p> <p>The General Meeting of the Company for Shareholders to approve the Essential Shareholder Approvals is proposed to be held on 5 October 2018, in accordance with the postponement announced on 28 September 2018.</p> <p>For further information, refer to the Notice of Meeting dated 24 August 2018.</p>	<p>Section 6.2</p>
<p>Will the Shares be the subject of the Offer issued?</p>	<p>The Offer is subject to the satisfaction of the Conditions set out in Section 6.2. The Company notes this Prospectus is predominately being issued for compliance and disclosure purposes.</p>	<p>Sections 6.2 and 6.10</p>

Item	Summary	Further information
How will the Company re-comply?	<p>Following obtaining Shareholder approval for the Transformation at the Meeting, the Company will have to re-comply with the admission requirements of ASX through the satisfaction of Listing Rule 1.3.4.</p> <p>Listing Rule 1.3.4 provides that, at the time of admission, a Listed Investment Company (LIC) must;</p> <ul style="list-style-type: none"> (a) have net tangible assets (NTA) of at least \$15 million after deducting the costs of the fund raising; or (b) be a pooled development fund and have net tangible assets of at least \$2 million after deducting the costs of the fund raising. <p>Further details are contained at Annexure A of this Prospectus (Investigating Accountant's Report).</p>	Section 6.3 and Annexure A
What is a Listed Investment Company?	<p>A LIC is an entity in which its main activities or the principal part of its activities relate to investing in listed or unlisted securities.</p> <p>As the Company is undergoing a significant change to the nature of its activities it will be required to re-comply with Chapters 1 & 2 of the ASX Listing Rules. This will involve obtaining Shareholder and ASX approval to the Transformation and issuing this Prospectus, further information for which is set out in Section 5.4 and in the Notice of Meeting.</p>	Sections 5.3 and 5.4
D. Current Investments of the Company		
Existing Activities	<p>MMJ currently maintains a Portfolio of investments in a range of emerging cannabis-related sectors. After conducting a review of the Company's position, the Board of the Company decided to dispose of PTL to shift the Company's strategic focus toward global cannabis investment.</p> <p>At present, PTL requires significant Company management time and resources to ensure that it can become a viable, self-funding business in the future. The Disposal of PTL will allow the Company to focus its resources on managing its cannabis investment Portfolio.</p> <p>The existing investments of the Company are detailed at Section 5.2.</p>	Section 5.2
E. Directors and Key Management Personnel		
Directors	<p>The Board of the Company consists of:</p> <ul style="list-style-type: none"> (a) Peter Wall - <i>Non-Executive Chairman</i>; (b) Doug Halley - <i>Non-Executive Director</i>; and (c) Winton Willesee - <i>Non-Executive Director</i>. 	Sections 10.3 to 10.5

Item	Summary	Further information
Other Key Management Personnel	Jason Conroy is the Chief Executive Officer and Jim Hallam is the Chief Financial Officer and Company Secretary.	Sections 10.6 and 10.7
What experience do the Directors have?	<p>Mr Peter Wall Non-Executive Chairman</p> <p>Peter was appointed as Non-Executive Chairman on 14 August 2014. He is also the chairman of Harvest One Cannabis Inc, a Canadian listed medical cannabis company. He is a corporate lawyer and has been a Partner at Steinepreis Paganin (Perth based corporate law firm) since July 2005. Peter's value to the Board is mainly related to his legal background, corporate governance and extensive experience in the medical cannabis space (having been a director of the Company since inception and a pioneer in the medical space in Australia). Peter is also the Chairman of unlisted AFSL corporate authorised representative Sharequity Pty Ltd (a crowdfunding and sophisticated investor platform) and has previously acted as chairman of an unlisted fund called Stoicus Funds Management.</p> <p>Peter graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA. Peter has a wide range of experience in all forms of commercial and corporate law, with a particular focus on resources (hard rock and oil/gas), equity capital markets and mergers and acquisitions. He also has significant experience in dealing in cross border transactions.</p> <p>Mr Winton Willesee Non-Executive Director</p> <p>Mr Willesee was appointed as Non-Executive Director on 21 October 2014. He is an experienced company director with a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects.</p> <p>Mr Willesee holds formal qualifications in economics, finance, accounting, education and governance. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors, a Member of CPA</p>	

Item	Summary	Further information
	<p>Australia and a Fellow of the Governance Institute of Australia/Chartered Secretary.</p> <p>Investors should be aware that one area of Mr Willesee's business expertise is with high risk enterprises and the recovery and restructure of distressed entities. As part of endeavours with enterprises of this nature, Mr Willesee has been involved as a director in two situations where a formal administration has been determined to be the best course of action for stakeholders. In January 2014, the board of Cove Resources Limited appointed an administrator due to concerns around the future availability of capital to fund its continued minerals exploration operations. Since then, Cove Resources Limited has been recapitalised, is no longer in administration and has recommenced trading on the ASX. Mr Willesee was also appointed to the Board of xTV Networks Limited in July 2016. Having reviewed the options available to that company to restructure its distressed operations, in July 2018, the board of xTV Networks appointed an administrator. Since then, a deed of company arrangement has been signed and Mr Willesee understands the company anticipates reaching a compromise with creditors in the near future, following which the company will seek to recommence trading on ASX in due course.</p> <p>In or about March 2011, prior to Mt Willesee's involvement, BioProspect Limited released an announcement to ASX detailing an investment in an oil and gas company, Frontier Gasfields Pty Ltd (Frontier). Subsequent to that announcement BioProspect Limited was served with a notice under section 30 of the ASIC Act to produce records relating to the announcement and subsequent to that, ASIC undertook an investigation into the matter. Mr Willesee became a director of BioProspect Limited (BPO) on 16 September 2011.</p> <p>Following Mr Willesee's appointment, with the intention to strengthen BPO's governance structures and outcomes, Mr Willesee;</p> <p>(a) undertook a thorough review of the governance systems of BPO, and following that review had a new tailored suite of robust governance policies produced and adopted; and</p> <p>(b) undertook a review of the management and facilitated changes to the executive, being;</p> <p>a. the appointment of a new chief executive officer to replace the</p>	

Item	Summary	Further information
	<p>incumbent managing director; and</p> <p>b. the appointment of a BPO representative to the board of Frontier.</p> <p>In February 2012 BPO received an infringement notice from ASIC alleging that in March 2011 (prior to Mr Willesee's involvement) BPO contravened section 674(2) of the Corporations Act relating to BPO's continuous disclosure obligations under the Corporations Act and the ASX Listing Rules. BPO complied with the infringement notice by paying a \$33,000 penalty. The compliance with the infringement notice (by paying the \$33,000 penalty) was not an admission of guilt or liability of a contravention of section 674(2) of the Act or to the commission of an offence. BPO subsequently divested its holding in Frontier to a Philippines company seeking to list on the Philippines Stock Exchange and identified and ultimately secured an alternate asset for BPO. Having successfully completed the project to revitalise BPO, Mr Willesee advised BPO that he would not seek re-election at the 2013 annual general meeting and accordingly ceased to hold office with BPO from 15 November 2013.</p> <p>The Directors (other than Mr Willesee) have considered the above circumstances surrounding Mr Willesee's involvement in the above companies and are of the view that Mr Willesee's involvement in these companies in no way adversely impacts on his appointment and contribution as a Director of the Company.</p> <p>Mr Doug Halley Non-Executive Director</p> <p>Doug was appointed as Non-Executive Director on 16 March 2018. He is an experienced company director and has also served for 30 years as CFO or CEO in a number of significant and successful (mostly publicly-listed) commercial enterprises and investment banks obtaining additional experience in portfolio management and advisory.</p> <p>Doug's executive experience had a heavy emphasis in corporate strategy, treasury, financial management, M&A and business development. Doug was Chairman of the ASX listed DUET Group entities between 2006 and 2017 which managed infrastructure investments in Australia and USA. Doug has been Chairman of Investment Committee for N V Phillips Australia superannuation fund and the Thomson Australia superannuation</p>	

Item	Summary	Further information
	<p>fund and a director of various Javelin and Five Arrows public investment trusts managed by N M Rothschild Australia.</p> <p>Doug was a non-executive director of Vocation Limited from November 2013 until December 2015. Vocation Limited, after encountering financial difficulty, was wound up in 2015. ASIC undertook enquiries into Vocation Limited from 2014 to 2016, during which period Doug assisted ASIC in its investigation into the affairs of Vocation Limited. ASIC initiated proceedings against three directors from Vocation Limited but no proceedings were brought against Mr Halley.</p> <p>Doug is currently a cross-defendant to a cross-claim filed by PricewaterhouseCoopers in a class action brought by shareholders of Vocation Limited against the company and PricewaterhouseCoopers. Doug, as one of a number of cross-defendants, intends to defend the claim made against him.</p> <p>He holds formal qualifications in business administration and accounting and is a Fellow of the Australian Institute of Company Directors.</p> <p>Mr Jason Conroy Chief Executive Officer</p> <p>Jason is an experienced senior executive and board member. He was appointed CEO in February 2018.</p> <p>Prior to joining MMJ, Jason was CFO of DUET Group, a former member of the ASX100, for 9 years to May 2017. As part of this role, he led a significant transformation through M&A, recapitalisations and restructuring that resulted in DUET's market capitalisation growing from \$1.2 billion in 2009 to \$7.4 billion in 2017, at which time the group was acquired at an attractive premium.</p> <p>Jason has also gained experience from roles in restructuring, advisory, venture capital, corporate development and corporate finance in Australia and overseas. He holds a Bachelor of Commerce (Accounting), a Master of Business Administration (MBA), is a Fellow of Chartered Accountants Australia and New Zealand (FCA) and a member of the Australian Institute of Company Directors (MAICD).</p>	

Item	Summary	Further information
	<p>Mr Jim Hallam Chief Financial Officer</p> <p>Jim has 20 years of experience in the investment management industry with alternative asset fund managers in Australia and overseas including Hastings Funds Management and Annuity Australia. Jim's roles include acting as responsible manager, investment manager and CFO within alternative asset fund managers.</p> <p>He has a Bachelor of Commerce (Economics), is a member of the Chartered Accountants Australia and New Zealand and a Fellow of the Governance Institute of Australia.</p>	
<p>What remuneration is being paid to the Directors and Key Management Personnel?</p>	<p>(a) Peter Wall - \$72,000 per annum.</p> <p>(b) Doug Halley - \$54,000 per annum plus an issue of 1,000,000 Options on the terms noted at Section 10.3. Mr Halley is also paid an additional \$10,000 per annum for his role on the Company's audit committee.</p> <p>(c) Winton Willesee - \$54,000 per annum.</p> <p>(d) Jason Conroy - \$300,000 per annum plus superannuation and the issue of 6,000,000 Performance Rights on the terms noted at Section 10.6</p> <p>(e) Jim Hallam - \$250,000 per annum and the issue of 2,500,000 Performance Rights on the terms noted at Section 10.7.</p>	<p>Sections 9.2 and 10.3 to 10.7</p>
<p>What are the Director's interests in the Company?</p>	<p>The Directors currently have the following interests in the Company's securities.</p> <p>(a) Peter Wall - 8,600,000 Shares (held indirectly by an entity controlled by Mr Wall, Pheakes Pty Ltd <Senate A/C>).</p> <p>(b) Doug Halley - 30,000 Shares (held indirectly by an entity controlled by Mr Halley, Chavoo Pty Ltd <Midhurst Superannuation Fund>) and 1,000,000 Options (subject to Shareholders passing Resolution 4 of the Notice of General Meeting dated 24 August 2018).</p> <p>(c) Winton Willesee - 1,500,000 Shares (held indirectly by an entity controlled by Mr Willesee, Silverinch Pty Limited <The Silverinch S/F A/C>).</p>	<p>Section 9.2</p>
<p>What related party agreements are the Company a party to?</p>	<p>The Company is party to non-executive director appointment letters with Mr Halley, Mr Willesee and Mr Wall and executive services agreements with each of Mr Conroy and Mr Hallam.</p>	<p>Sections 10.3 to 10.7</p>

Item	Summary	Further information
E. Key Investment Highlights and Key Risks		
What are the key investment highlights?	<p>The Directors of the Company are of the view that a shareholding in the Company provides the following non-exhaustive list of key highlights:</p> <ul style="list-style-type: none"> (a) the Company will be able to pursue new investment opportunities in the global cannabis market, targeting the full range of emerging cannabis-related sectors including healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment and retail; (b) the Company will undertake the investment of capital in a broader range of emerging cannabis-related sectors, which will allow for the generation of more diversified risk-adjusted returns for Shareholders; (c) the Company will have the ability to focus its resources on managing a Portfolio of minority investments; and (d) Shareholders will benefit from the provision of additional capital and management time, allowing the Company to pursue investment opportunities whilst retaining exposure to PTL's future success through the Company's shareholding in HVT. 	Section 5.6
What are the key risks of investing in the Company?	<p>The business, assets and operations of the Company will be subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.</p> <p>These risks include a variety of Company, industry specific and general risks, including:</p> <ul style="list-style-type: none"> (a) Completion Risk As per the SSA, the Company has agreed to sell 100% of the issued share capital of its wholly-owned subsidiary PTL to HVT. Completion of the SSA is subject to the fulfilment of certain conditions. There is a risk that the conditions for completion of the Disposal cannot be fulfilled and, in turn, that completion of the Disposal does not occur. (b) Re-quotation of shares on ASX As part of the Company's change in the nature of its activities, ASX requires it to re-comply with Chapters 1 and 2 of the ASX Listing Rules. It is anticipated that the Company's securities will be suspended from the date of the general meeting convened to seek Shareholder approval 	Section 8

Item	Summary	Further information
	<p>for the Disposal until completion of the Disposal and re-compliance by the Company with Chapters 1 and 2 of the ASX Listing Rules. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its securities will consequently remain suspended from official quotation.</p> <p>(c) Investment Risk</p> <p>There is a risk that the investments that form part of the Company's Portfolio will fall in value for short or extended periods of time.</p> <p>(d) Investment Strategy Risk</p> <p>The success and profitability of the Company will largely depend on the Board's ability to manage the Portfolio. A failure to do so may negatively impact the Company and its Shares. There can be no guarantee that the Board's strategy will result in the Company improving its performance.</p> <p>(e) Market Risk</p> <p>Certain events may have a negative effect on the price of all types of investments within a particular market. These events may include changes in economic, social, technological or political conditions, as well as market sentiment specifically in the global cannabis industry. The Company's Board will endeavour to construct the Company's Portfolio in a manner so as to minimise market risks.</p> <p>The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively be managed or mitigated may be limited.</p> <p>Further risks associated with an investment in the Company are outlined in Section 8.</p>	
F. Financial Information		
<p>What is the Company's financial position?</p>	<p>Following the change in the nature of its activities, the Company will become a LIC focussing its business activities on sourcing and evaluating suitable investment opportunities. Therefore, the Company's past operational and financial historical performance will not be of significant relevance to future activities.</p>	<p>Section 6.16 and Annexure A</p>

Item	Summary	Further information
What is the financial outlook for the Company?	<p>The Company is not in a position to disclose any key financial ratios other than its balance sheet which is included in the Investigating Accountant's Report and Financial Information set out at Annexure A of this Prospectus.</p> <p>The Company's future activities are expected to be funded from portfolio divestments. The Company may also consider future fundraising through capital or alternative forms of debt or quasi-debt funding, as and when required.</p>	Section 6.16 and Annexure A
G. Additional Information		
What are the tax implications of investing in Shares?	<p>The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.</p> <p>To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.</p>	Section 6.17
What is the Company's dividend policy?	<p>Although the Company does not expect to declare any dividends in the immediate term, any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.</p>	Section 6.18
What are the corporate governance principles and policies of the Company?	<p>The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.</p> <p>To the extent applicable, the Company has adopted <i>The Corporate Governance Principles and Recommendations (3rd Edition)</i> as published by the ASX Corporate Governance Council (Recommendations).</p> <p>In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the</p>	Section 9.3

Item	Summary	Further information
	<p>Board and the implementation of additional corporate governance policies and structures will be reviewed.</p> <p>The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined at Section 9.3 and the Company's corporate governance statement, which indicates the Company's departures from these Recommendations, is contained in its Annual Report.</p>	
Where can I find more information?	<p>(a) By speaking to your sharebroker, solicitor, accountant or other independent professional adviser.</p> <p>(b) By contacting the Company Secretary on +61 2 8098 0819.</p> <p>(c) By contacting the Share Registry on +61 1300 288 664.</p>	

4.2 Capital Structure

The Disposal and re-compliance will have no material effect on the Company's capital structure.

The table below sets out the capital structure of the Company both;

- pre and post the Disposal and Re-Compliance; and
- following completion of the Offer (assuming full subscription and the issue of Shares).

	Shares	Options	Performance Rights
Pre-Disposal (as at date of this Notice) ¹	230,148,985	8,008,391 ³	17,500,000 ⁴
Additional securities to be issued prior to the Offer ¹	Nil	1,000,000 ⁵	Nil
Shares offered pursuant to the Offer ²	2,000	Nil	Nil
Total on completion of the Offer and Disposal²	230,150,985	9,008,391^{3,5}	17,500,000⁴

Notes:

- Assumes that no other additional Shares are issued in the Company prior to completion of the Disposal, including the exercise of Options and vesting of Performance Rights into Shares.

2. Assumes that no other additional Shares are issued in the Company including the exercise of Options and vesting of Performance Rights into Shares.
3. Comprising:
 - a. 350,000 Class C Options exercisable at \$0.31 on or before 6 May 2019.
 - b. 2,537,500 Class G Options exercisable at \$0.36 on or before 1 March 2019.
 - c. 620,891 Class H Options exercisable at \$0.27 on or before 31 January 2020.
 - d. 3,000,000 Class J Options exercisable at \$0.24 on or before 1 September 2020 which will vest on the date of the Meeting.
 - e. 1,500,000 Class K Options exercisable at \$0.35 on or before 31 October 2021; 500,000 Class K Options will vest on 1 November 2018, 1 November 2019 and 1 November 2020 respectively subject to the holder remaining engaged by the Company.
4. Comprising
 - a. 9,000,000 Class D Performance Rights: refer to Section 11.8 of this Prospectus. The Company expects that all of the Performance Rights will lapse on 22 January 2019, as the vesting criteria cannot be achieved.
 - b. 2,833,333 Class H Performance Rights: vesting upon 20 day VWAP of Shares being above \$0.60 on or before 26 February 2022.
 - c. 2,833,333 Class I Performance Rights: vesting upon 20 day VWAP of Shares being above \$0.80 on or before 26 February 2022.
 - d. 2,833,334 Class J Performance Rights: vesting upon 20 day VWAP of Shares being above \$1.00 on or before 26 February 2022.
5. Includes 1,000,000 Director Options to be issued, subject to Shareholder approval in accordance with Resolution 4 of the Notice of General Meeting dated 24 August 2018.

Additionally, assuming completion of the Disposal, it is not presently anticipated that any person will have a voting power of 20% or more in the Company.

The rights attaching to the Securities are summarised in Section 11 of this Prospectus.

4.3 Directors and Management

The Disposal and Re-Compliance will have no effect on the current composition of the Board. Peter Wall, Winton Willesee and Doug Halley will remain on the Board. Jason Conroy and Jim Hallam will remain as senior personnel. This will provide the Company with a relevant, highly experienced and qualified leadership team.

Biographical details of the Directors and senior personnel are set out in this Prospectus as follows:

- (a) Mr Peter Wall (Non-Executive Chairman) (refer to Section 4E);
- (b) Mr Winton Willesee (Non-Executive Director) (refer to Section 4E);
- (c) Mr Doug Halley (Non-Executive Director) (refer to Section 4E);
- (d) Mr Jason Conroy (Chief Executive Officer) (refer to Section 4E); and
- (e) Mr Jim Hallam (Chief Financial Officer) (refer to Section 4E).

Details of interests held by each those people in the securities of the Company are set out in Section 9.2.

4.4 **Agreements with Directors**

The Company is a party to the following agreements with Directors:

- (a) Non-Executive Letters of Appointment with Peter Wall, Winton Willesee and Doug Halley (refer to Sections 10.3 to 10.5); and
- (b) Deeds of Indemnity, Insurance and Access entered into with each of the Directors (refer Section 10.8).

5. OVERVIEW OF MMJ PHYTOTECH LIMITED

5.1 The Company and Background

MMJ PhytoTech Limited (to be renamed “MMJ Group Holdings Limited”) (**Company**) is a public company listed on the Official List (ASX code: MMJ).

MMJ was incorporated on 14 August 2014 and was admitted to the Official List of the ASX on 22 January 2015. Until late last year MMJ’s strategy had focused on establishing a vertically integrated “farm to pharma” medical cannabis business model, building operations across all parts of the supply chain, including growing operations, development of cannabinoids-based drug-products, production and commercialisation of medical cannabis products and distribution in regulated markets worldwide.

On 10 October 2017, MMJ announced its intention to begin shifting its operational focus toward that of a global cannabis investment company, targeting the full range of emerging cannabis-related sectors including healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment, research and development, hemp food products and retail.

MMJ has entered into a binding share sale agreement pursuant to which it has conditionally agreed to sell its wholly-owned subsidiary PhytoTech Therapeutics Ltd to Harvest One Cannabis Inc. for total consideration of CAD\$8 million. The Disposal will be conditional upon (amongst other things) the Company seeking all necessary shareholder and regulatory approvals required to undertake the Disposal.

ASX has advised that it considers that the Disposal will result in the Company, and the business which remains, becoming an Investment Entity and will therefore amount to a significant change in the nature of the Company’s current activities. As such, the Company is required to obtain approval from its Shareholders pursuant to ASX Listing Rule 11.1.2 and to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

In the event the Company **does not** obtain shareholder approval for the Disposal and the re-compliance conditions in Chapters 1 and 2 of the ASX Listing Rules are not met, the Disposal will not proceed, and the Company will continue to own, control and operate PTL along with managing its existing investments.

The Board is of the opinion that the Transformation will enable MMJ to better implement its strategic intent to operate as a global cannabis investment company with a Portfolio of minority investments, rather than having control over its investments. The Company’s investment strategy and risk management policy are set out in Section 7.

Upon completion of the Transformation, and subject to Shareholder approval being obtained, the Company will change its name to MMJ Group Holdings Limited.

5.2 Existing Activities

MMJ currently maintains a Portfolio of investments in a range of emerging cannabis-related sectors. After conducting a review of the Company’s position, the Board of the Company decided to dispose of PTL to shift the Company’s strategic focus toward global cannabis investment. Following the Disposal of PTL, the Company will continue to manage its investment Portfolio and seek to make additional investments.

MMJ's existing investments are as follows:

- **PhytoTech Therapeutics Ltd** or PTL (100%-owned by MMJ), the subject of the Disposal – company focused on developing and commercialising cannabis-based therapeutics products (using unique oral delivery technologies under licences that have the potential to deliver safe, effective and measured doses of cannabis derived ingredients to patients) and in conducting research and development and clinical development activities.
- **Harvest One Cannabis Inc.** (TSXV:HVT) (MMJ owns 53.33 million shares, 30.2% shareholding; 24.6% shareholding fully-diluted, before the issuance of shares to MMJ proposed as part of the disposal, if all outstanding warrants and options are converted into shares) – Canadian cannabis cultivation and products company.
- **Weed Me Inc.** (MMJ owns a CAD\$2 million secured note convertible into 3.46 million shares at CAD\$0.577/share and 3.46 million warrants at CAD\$0.866/share; currently enables MMJ to take a 24.9% fully diluted shareholding) – Canadian cannabis cultivation company.
- **Fire & Flower Inc.** (MMJ owns 1.25 million shares for a ~1.6% shareholding plus 1.25 million warrants at an exercise price of CAD\$1.05 per share) – Canadian retail cannabis store chain.
- **Cannabis Access** (MMJ owns 16.7% shareholding) – Australian medical cannabis access clinics.
- **Martha Jane Medical Limited** (MMJ owns 12.5% shareholding) – Australian medical cannabis company focused on extraction and the research and development of cannabis-based medicines.
- **Bien Ventures Ltd** (MMJ owns 12.7% shareholding plus 2.8 million warrants at an exercise price of CAD\$0.35) - Canadian cannabis company focused on developing intellectual property for its own formulation of soluble, odourless and flavourless 'micro-dosed' powders.
- **BevCanna Enterprises Inc.** (MMJ owns 3.3% shareholding) – Canadian cannabis infused beverage manufacturer.
- **MediPharm Labs Inc** (MMJ owns ~ 6.9% shareholding [plus 231,954 warrants at an exercise price of CAD\$15.216 per share]) – Canadian medical cannabis oil production facility in the late stages of the process to list on the TSX Venture Exchange.
- **Embark Health Inc** (MMJ owns 2.5% shareholding) – Canadian cannabis extraction company.

At present, PTL requires significant Company management time and resources to ensure that it can become a viable, self-funding business in the future. Advanced clinical research and development is not a core capability of the Company's management team. The Company has invested approximately \$4.7 million in PTL to date and, whilst PTL remains as a 100% subsidiary of the Company, it is expected to continue to require funding and operate at an annual net loss for the Company over the next few years.

The Company also notes it has a wholly owned subsidiary, PhytoTech Medical (UK) Ltd, which currently has no independent existing activities.

The Disposal of PTL will allow the Company to focus its resources on managing its cannabis investment Portfolio.

5.3 What is a Listed Investment Company?

A LIC is an entity in which its main activities or the principal part of its activities relate to investing in listed or unlisted securities.

One of the factors the Board considered when deciding to undergo the Transformation is that the Company satisfies the NTA requirement mentioned in Section 6.3. **Therefore, this Prospectus is being issued predominately for compliance and disclosure purposes.**

However, as the Company is undergoing a significant change to the nature of its activities it will be required to re-comply with Chapters 1 & 2 of the ASX Listing Rules. This will involve obtaining Shareholder and ASX approval to the Transformation and issuing this Prospectus, further information for which is set out in Section 5.4 and in the Notice of Meeting.

5.4 Terms of the Transformation

The key steps of the Transformation are as follows:

- (a) The Company receiving Shareholder approval at the Meeting for the Essential Shareholder Approvals as per the Notice of Meeting dated 24 August 2018. The Company will announce the results of the General Meeting on its website www.mmjphytotech.com.au and on the ASX website <http://www.asx.com.au> (ASX: MMJ). Following the General Meeting, the Company will enter voluntary suspension.
- (b) The Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, including the Company:
 - (i) obtaining all approvals necessary for the Transformation, the Shareholder approvals for which were obtained at the Meeting as noted in Section 6.2;
 - (ii) obtaining conditional ASX approval to the reinstatement of the Company to Official Quotation on the ASX on conditions satisfactory to the Company; and
 - (iii) issuing this Prospectus for the purpose of fulfilling disclosure and re-compliance obligations to ensure that the full terms of the Transformation have been released to the market.
- (c) Settlement of the Disposal will occur, upon the satisfaction of the Conditions as per Section 6.2.
- (d) The Company proposes to change its name to "MMJ Group Holdings Ltd" to better reflect its Transformation into a LIC.

Please refer to the Notice of Meeting for additional information regarding the Transformation and Disposal.

5.5 Background to the Directors and Senior Management Personnel

An overview on the background and experience of the Directors and Senior Management Personnel of the Company is set out in Section 4E of this Prospectus.

5.6 Key Investment Highlights

The Directors of the Company are of the view that a shareholding in the Company provides the following non-exhaustive list of key highlights:

- (a) the Company will be able to pursue new investment opportunities in the global cannabis market, targeting the full range of emerging cannabis-related sectors including healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment and retail;
- (b) the Company will undertake the investment of capital in a broader range of emerging cannabis-related sectors, which will allow for the generation of more diversified risk-adjusted returns for Shareholders;
- (c) the Company will have the ability to focus its resources on managing a Portfolio of minority investments; and
- (d) Shareholders will benefit from the provision of additional capital and management time, allowing the Company to pursue investment opportunities whilst retaining exposure to PTL's future success through the Company's shareholding in HVT.

6. DETAILS OF THE OFFER

6.1 The Offer

Pursuant to this Prospectus, the Company invites applications for up to 2,000 Shares at an issue price of \$0.50 per Share, to raise up to \$1,000.

The Shares offered under the Offer will rank equally with the existing Shares on issue. Please refer to Section 11.2 for further information regarding the rights and liabilities attaching to the Shares.

6.2 Conditions of the Offer

The Offer is conditional upon the following events occurring:

- (a) settlement of the Disposal which is conditional upon:
 - (i) the Company obtaining the Essential Shareholder Approvals (defined below) for the Disposal; and
 - (ii) the Company and HVT obtaining all necessary third-party approvals or consents to give effect to the matters set out in the SSA; and
- (b) the Company receiving conditional approval from ASX that the Company's Shares will be readmitted to the Official List of the ASX subject to the satisfaction of certain conditions on the terms acceptable to the Company,

(together, the **Conditions**)

The Shareholder approvals required for the Disposal are pursuant to:

- (a) ASX Listing Rule 10.1 approval for the Disposal to HVT (refer to Resolution 1 of the Notice of Meeting); and
- (b) ASX Listing Rule 11.1.2 approval authorising the change of nature of activities of MMJ (as applicable) (refer to Resolution 2 of the Notice of Meeting),

(together, the **Essential Shareholder Approvals**).

The General Meeting of the Company for Shareholders to approve the Essential Shareholder Approvals is proposed to be held on 5 October 2018, in accordance with the postponement announced on 28 September 2018.

In the event the Company does not obtain the Essential Shareholder Approvals, any of the other conditions of the Disposal are not met or satisfied or the re-compliance conditions in Chapters 1 and 2 of the ASX Listing Rules are not met, the Disposal will not proceed and the Company will continue to own, control and operate PTL along with managing its existing investments.

6.3 ASX Listing Rule 1.3.4

Following obtaining Shareholder approval of the Transformation at the Meeting, the Company will have to re-comply with the admission requirements of ASX through the satisfaction of Listing Rule 1.3.4.

Listing Rule 1.3.4 provides that, at the time of admission, a Listed Investment Company must:

- (a) have net tangible assets of at least \$15 million after deducting the costs of the fund raising; or
- (b) be a pooled development fund and have net tangible assets of at least \$2 million after deducting the costs of the fund raising.

As at the date of this Prospectus, the Company satisfies the Listing Rule 1.3.4(a) requirement as it holds net tangible assets of approximately \$66 million.

Further details are contained at Annexure A of this Prospectus (Investigating Accountant's Report).

6.4 Purpose of the Offer

The purpose of the Offer is to:

- (a) meet the requirements of the ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules; and
- (b) satisfy the Company's continuous disclosure requirements and therefore ensure that all details of the Transformation are adequately disclosed.

6.5 Use of Funds

The Company does not intend to raise any funds under the Offer. As stated in the Independent Accountant's Report at Annexure A, at 31 August 2018 the Company had approximately \$400,000 in cash. In addition to this amount, the Company will receive CAD\$1,000,000 as consideration for Disposal on Completion. The Prospectus is being issued for compliance and disclosure purposes in accordance with the Company's re-admission under Listing Rule 11.1.3. As the Company is seeking re-admission as an LIC, in order to meet the assets test under ASX Listing Rule 1.3 it must show that it has net tangible assets of at least \$15 million (after deducting the costs of fund raising). Accordingly, MMJ is not required to specifically demonstrate its use of funds.

Therefore, no specific use of funds is included in this Prospectus. However, on completion of the Offer, Disposal and Transformation, the Company will utilise its available funds (including consideration for the Disposal) and access to capital, (through managing its liquid investments), to achieve its objectives set out under its Investment Strategy at Section 7.7. The Board believes the Company will have sufficient working capital to achieve its objectives.

6.6 Minimum subscription

There is no minimum subscription under the Offer.

6.7 Applications under the Offer

Applications for Shares under the Offer must be made using the Application Form.

Completed Application Forms and accompanying cheques, made payable to "**MMJ Group Holdings Limited**" and crossed "Not Negotiable", must be mailed to the address set out on the Application Form so that they are received by no later than the Closing Date.

The Company reserves the right to close the Offer early.

6.8 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

The Company's Quoted Securities will be suspended from trading from the date of the General Meeting and will not be reinstated to Official Quotation until the ASX approves the Company's Re-Compliance with Chapters 1 and 2 of the ASX Listing Rules.

In the event that the Company does not receive conditional approval for re-quotation on the ASX, it will not proceed with the Offer and will repay all application monies received, without interest.

6.9 ASX listing

Application for Official Quotation by the ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. However, Applicants should be aware that ASX will not commence Official Quotation of any Securities until the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules and has received the approval of ASX to be re-admitted to the Official List. As such, the Shares may not be able to be traded for some time after the close of the Offers.

If the Shares are not admitted to Official Quotation by the ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that the ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

6.10 Issue

The Offer is subject to the satisfaction of the Conditions set out in Section 6.2. The Company notes this Prospectus is being issued predominately for compliance and disclosure purposes.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors will determine the allottees of all the Shares under the Offer in their sole discretion, subject to the terms of the Offer.

Subject to the terms of the Offer, the Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

6.11 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an

offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

6.12 Not underwritten

The Offer is not underwritten.

6.13 Substantial Shareholders

A substantial Shareholder of the Company are those Shareholders holding 5% or more of the Shares on issue. There are no substantial shareholders listed on the Company's register. On completion of the Offer this will not change.

The Company will announce to the ASX details of its top 20 holders of Shares (following completion of the Offer), prior to the Quoted Securities re-commencing trading on the ASX.

6.14 Restricted Securities

The Company presently has no Securities on issue which are classified by ASX as restricted securities. Therefore, no Securities are presently held in escrow.

6.15 Withdrawal of Offer

The Offer may be withdrawn at any time. In this event, the Company will return all application monies (without interest) as soon as practicable.

6.16 Financial Information

Following the change in the nature of its activities, the Company will become a LIC focussing its business activities on sourcing and evaluating suitable investment opportunities. Therefore, the Company's past operational and financial historical performance will not be of significant relevance to future activities.

As a result, the Company is not in a position to disclose any key financial ratios other than its balance sheet which is included in the Investigating Accountant's Report and Financial Information set out at Annexure A of this Prospectus.

The Company's future activities are expected to be funded from portfolio divestments. The Company may also consider future fundraising through capital or alternative forms of debt or quasi-debt funding, as and when required.

6.17 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

6.18 Dividend Policy

Although the Company does not expect to declare any dividends in the immediate term, any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings, operating results, the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

7. COMPANY OVERVIEW UPON COMPLETION OF THE TRANSFORMATION

7.1 Company Overview

Upon completion of the Transformation the Company will operate as a LIC. The Board is of the strong opinion that the Transformation will enable the Company to better implement its strategy to operate as a global cannabis investment company with a Portfolio of minority investments, rather than having control over its investments.

7.2 Listed Investment Company

Listed Investment Companies provide investors with exposure to an ASX traded entity with a professionally managed and diversified portfolio of investments. These investments may include Australian shares, international shares, fixed income securities, property, with some funds offering 'packaged strategies'.

An investor's exposure is very similar to a traditional managed fund. On completion of the Transformation, the Company will continue to seek investment opportunities, make divestments over time and to invest in businesses and equities in accordance with its long-term business model as a LIC. The Company has sufficient capital to achieve these outcomes.

7.3 Investment Portfolio and Business Plan

As noted above, the Board proposes to implement a new business plan for the Company as a LIC with a view to growing shareholder wealth.

The investment mandate is intended to be as broad as permitted under the ASX Listing Rules and the Board intends to have a wide discretion to determine what, how and when to invest on behalf of its Shareholders within these boundaries, subject to the criteria outlined below.

The Company sees the opportunity in creating an investment entity that has the resources and skills to move quickly to invest in listed or unlisted securities and derivatives particularly in companies where the Board perceives there to be a value opportunity.

The Company's proposed strategy will provide Shareholders with exposure to investments with the objective of delivering capital growth. The Company will have a mandate to be an active investor in securities with the flexibility to allocate capital to the most attractive securities in a given economic cycle.

The Directors have broad experience in legal, finance and corporate enterprise across a number of industries. They have senior relationships in the Australian and international wholesale financial markets and extensive and diverse operating, transaction and investment experience. The background and profiles on each of the Directors are set out in detail in Section 4E.

The Directors will use this experience and expertise to manage the Company's investment Portfolio and implement its business plan within the constraints of its risk management policy, detailed in Section 7.5. This internal fund management model will enable the Company to avoid fund management fees that would otherwise be paid to a fund manager.

7.4 Investment Mandate

The Company's short to medium-term investment strategy as a LIC is to invest in a portfolio of investments that will deliver capital growth and profit from realisation on asset sales. The Company's mandate allows the Company to be an active investor in securities with the flexibility to allocate capital to the most attractive securities in any given economic cycle. The investment mandate of the Company is broad and the Directors have a wide discretion to determine what, how and when to invest.

The Company's long-term investment strategy will depend on the Company's view on opportunities that present themselves, markets generally and the Board's approach to risk at any given time. The timing of investments in the medium to long-term will be determined by when opportunities arise that the Board believes can grow shareholder value based on a diligent risk reward analysis.

The Company does not intend to take a controlling interest in any company in which it undertakes an investment.

The investment mandate allows the Company to be an active investor in assets including enhanced cash securities, fixed interest, hybrids and equities with the flexibility to allocate capital to the most attractive asset class in a given economic cycle. The time frame on investments will be short to medium term and permitted investments will include:

- (a) listed and unlisted securities;
- (b) hybrids and convertible instruments;
- (c) bills of exchange, promissory notes and other negotiable instruments;
- (d) units in cash and investment trusts; and
- (e) derivatives.

The Company will undertake a risk management and review process for all investments and the Board will monitor the investment policy and standards including investment returns, credit risk, asset and cash flow support, investment maturity profile and liquidity.

The Board is not in a position to provide specific details on any particular future investment at this stage, however the rationale behind the Transformation is as follows:

- (a) the Company is seeking to take advantage of current favourable market conditions by re-listing as a LIC;
- (b) the Company is continuously reviewing new investments and considers that currently there is a significant potential to create wealth in an under-valued market.

Refer to Section 5.2 for details regarding the Company's current investments.

The Directors of the Company have significant investment experience, further details of which are set out in Section 4E of the Prospectus.

7.5 Risk Management

The Company will undertake a risk management and review process for all investments, including undertaking due diligence investigations in relation to acquiring interests in companies.

The Company will monitor the investment policy and standards including:

- (a) investment returns;
- (b) credit risk;
- (c) asset and cash flow support;
- (d) maturity profile;
- (e) liquidity; and
- (f) concentration limits.

The Company may also look to invest in other opportunities, as approved by the Board in writing and subject to its investment criteria.

The financial data that will be taken into account in assessing potential investments for the Portfolio will include, but not be limited to, an assessment of the past and projected earnings and profits of a company, the price-earnings ratio underlying any proposed investment, balance sheet strength, share price and earnings momentum and dividend yield and imputation credit levels.

Every investment made by the Company will be continuously monitored and reviewed on a periodic basis. The Company will be willing to move quickly to realise investments when a view is formed that an investment is overvalued or an alternative, superior investment opportunity arises.

7.6 Australian Financial Services Licence

The Company does not hold an Australian Financial Services Licence (**AFSL**) under the Corporations Act. Accordingly, the Offer will be made pursuant to an arrangement between the Company and Barclay Wells (ABN 88 009 352 836) as the holder of an AFSL under section 911A(2)(b) of the Corporations Act (**Authorised Intermediary**).

The Company will authorise the Authorised Intermediary to make offers to arrange for the issue of Shares under the Prospectus and the Company will only issue the Shares in accordance with those offers and no others.

The Company will pay the Authorised Intermediary a fee of \$6,000 plus GST for acting as the Authorised Intermediary. Further details of the arrangement with the Authorised Intermediary are continued in Section 10.2.

In any event, it is not the intention that the Company provides investment advice to investors and it will be up to the individual investor to seek any investment advice.

7.7 Investment Strategy

Following the Re-Compliance, the Company intends to be a global cannabis Investment Entity which will manage a Portfolio of investments in a range of emerging cannabis-related sectors.

The Company will continue to actively manage its current investments and seek to make additional investments. It is intended that the Company's principal activities will consist of making investments in listed or unlisted securities and derivatives in companies involved in the cannabis industry where the Company's Board perceives there to be upside potential. These investments will be passive or non-controlling, the Company's objectives and investment strategy will not include the exercise of control over these entities or the business of these entities.

The investment objective of the Company is to realise positive returns on its investments regardless of the underlying movement in value of the investment markets and generate strong risk adjusted returns for shareholders over the medium to long term by way of capital growth and profit from realisation on asset sales. Specifically, the Company aims to typically invest up to \$5 million per new investment opportunity.

MMJ believes that there is significant long-term growth potential in the cannabis industry, particularly in Canada. Accordingly, the Company has identified an opportunity to create value through investments.

The Company has developed strengths and capabilities that are suited to investing in the global cannabis sector through construction of a Portfolio of investments. These include:

- a Board which has overseen the construction of the Company's investment Portfolio;
- the Company's Board and senior management have substantial experience in the corporate finance and investment management in the areas of listed and unlisted investments within Australia and overseas;
- the senior management team has a proven track record of investment, oversight and exits in the private equity arena;
- the Company has a strong reputation and presence in Australia and overseas that provides access to a significant flow of investment opportunities; and
- a distinctive and flexible approach to structuring transactions, managing risk, adding value and exiting investments.

The Company's Board (along with senior management personnel) have capabilities and experience in each of the five core processes of investment management, being:

- sourcing investments;
- making investments;
- adding value to investments;
- exiting investments; and

- company administration.

Specifically, the experience of the Company's Board members and senior management is summarised above at Section 4E.

The Company's returns and investments will be driven by active management of the Portfolio by the Board. The Board will have discretion, within the terms of the Investment Strategy, to determine investments to pursue on behalf of the Company and its Shareholders.

The Board will investigate and select potential investment opportunities based on an assessment of a wide range of factors, including the size of the investment, projected revenue, costs and profits, growth potential, credit risk, asset and cash flow profile and assessment objectives.

At this point in time, the Company does not intend to raise any further capital but will make investments through the use of capital obtained from liquidity events in respect of its existing and future investments.

The Company will be targeting investments or opportunities with the following characteristics:

- emerging cannabis sector leaders in healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment and retail;
- typical investment size of up to \$5m;
- investments in investment-supportive jurisdictions such as Australia and Canada;
- minority investments consistent with a venture capital approach to managing a broad portfolio.

There will be no minimum or maximum number of investments in the Company's investment Portfolio, however more or less may be held depending on the number of suitable investments identified that are expected to meet performance expectations.

8. RISK FACTORS

8.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business which are contained in Section 8.2. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares and the value of Options.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed. The types of risks the Company is exposed to can change over time and vary with changes in economic, technological, environmental and regulatory conditions both generally and within the financial services industry.

8.2 Company specific

(a) Completion Risk

Pursuant to the SSA, the Company has agreed to sell 100% of the issued share capital of its wholly-owned subsidiary PTL to HVT, completion of which is subject to the fulfilment of certain conditions. There is a risk that the conditions for completion of the Disposal cannot be fulfilled and, in turn, that completion of the Disposal does not occur. If the Disposal is not completed, the Company will incur costs relating to advisors and other costs without any material benefit being achieved.

(b) Re-quotations of shares on ASX

As part of the Company's change in the nature of its activities, ASX requires it to re-comply with Chapters 1 and 2 of the ASX Listing Rules. It is anticipated that the Company's securities will be suspended from the date of the general meeting convened to seek Shareholder approval for the Disposal until completion of the Disposal, re-compliance by the Company with Chapters 1 and 2 of the ASX Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its securities will consequently remain suspended from official quotation.

(c) Investment Risk

There is a risk that the investments that form part of the Company's Portfolio will fall in value for short or extended periods of time. The value and individual trading prices, in the case of listed entities, of the individual companies that the Company holds will be affected, amongst other things, by the operational and financial performance of those companies, the quality of their management and the overriding state of the sector in which those companies operate.

(d) **Investment Strategy Risk**

The success and profitability of the Company will largely depend on the Board's ability to manage the Portfolio in a manner that complies with the Company's objectives, strategies, policies, guidelines and permitted investments. The returns of the Company will depend on the Board being exposed to well managed businesses that have the ability to increase in value over time. A failure to do so may negatively impact the Company and its Shares. There can be no guarantee that the Board's strategy will result in the Company improving its performance. Investment returns cannot be predicted and performance may deteriorate.

(e) **Market Risk**

Broad market risks include movements in domestic and international securities markets, movements in foreign exchange rates and interest rates, changes in taxation laws and other laws affecting investments and their value. The Company's Board will endeavour to construct the Company's Portfolio in a manner so as to minimise market risks. Certain events may have a negative effect on the price of all types of investments within a particular market. These events may include changes in economic, social, technological or political conditions, as well as market sentiment specifically in the global cannabis industry.

Furthermore, due to the volatility of the financial market, rapid changes in the exchange rate of currencies or the fall of the Australian bond market may discourage investors from moving money into or out of equity markets. This could have a negative effect on Company's Share price and other aspects of the Company.

(f) **Reliance on Key Management Personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company and its investments depends substantially on its senior management and directors. There can be no assurance that there will be no detrimental impact on the performance of the Company or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner. If such contracts with key management personnel are terminated or breached, or if the relevant personnel were no longer to continue in their current roles, the Company would need to engage alternative staff, and the Company's operations and business may be adversely affected.

(g) **Economic Risk and force majeure**

Investment returns are influenced by market factors, including changes in economic conditions, changes to legislative, regulatory and political environments as well as changes in investor sentiment. In addition, exogenous events, such as natural disasters, acts of terrorism and financial market turmoil, can and sometimes do, result in equity market volatility and losses.

(h) **Limited Diversification**

The Company's Portfolio may be less diversified than the portfolios of other listed investment companies and, accordingly, may be more exposed to falls in the market price of its individual investments. The lower the number of different listed securities to which the Company is exposed

increases the risk of potential volatility of the Company's net tangible asset backing and, by extension the ASX trading price of the Shares.

(i) **Impact of further Investments**

The Company will in the future seek to make further investments to generate growth opportunities. The pursuit of potential investments may divert the attention of management and cause the Company to incur various expenses in identifying, investigating and pursuing suitable investments, if they are consummated. The Company also may not achieve the anticipated benefits from the investment business due to a number of factors, including:

- (i) incurrence of investment-related costs;
- (ii) diversion of management's attention from other business concerns;
- (iii) unanticipated costs or liabilities associated with the investment;
- (iv) harm to the Company's reputation;
- (v) the potential loss of key employees;
- (vi) use of resources that are needed in other parts of the Company's business; and
- (vii) use of substantial portions of the Company's available cash to consummate investments.

In the future, if the Company's investments do not yield expected returns, the Company may be required to take charges to its operating results arising from the impairment assessment process. Investments may also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect the operating results. In addition, if an investment company fails to meet the Company's expectations, the Company's business, results of operations and financial condition may be adversely affected.

(j) **Publicity and Media**

The products of the Company's investee companies (**Investees**) (**Products**) contain controlled substances, the use of which may generate public controversy. The nature of the Company's business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, the reputation of the Company and/or its Investees may be harmed.

(k) **Industry Growth**

The medicinal cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and formation of strategic relationships. We expect this consolidation and strategic partnering to continue. Investments or other consolidating transactions could harm the Company in many ways, including:

- The Investee could lose strategic relationships if third parties with whom the Investee has arrangements with are acquired by or

enter relationships with a competitor (which could cause the Company to lose access to distribution, content, technology and other resources);

- the relationship between the Investee and such third parties may deteriorate and cause an adverse effect on the Company's business; and
- the Investee's current competitors could become stronger, or new competitors could form, from consolidations.

Any of these events could put the Investee at a competitive disadvantage, which could cause it to lose research facilities or access to technology. Consolidation could also force the Investee to expend greater resources to meet new or additional competitive threats, which could also harm its results.

(l) **License and Regulatory Risk**

The Company's investee companies' ability to research, develop and commercialise Products is dependent on their ability to maintain licenses relating to the cultivation, possession and supply of controlled substances and comply with any other regulatory requirements. The licenses required for medical research may need to be granted by the relevant authority in each country. The Investee may not be able to carry on its research and development program if these licenses are not issued. The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company or its Investees' operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its Shares.

(m) **Litigation**

The Company may in the ordinary course of business become involved in litigation and disputes, for example with its contractors or clients. Any such litigation or dispute could involve significant economic costs and damage to relationships with contractors, clients or other stakeholders. Any such outcomes may have an adverse impact on the Company's business, market reputation and financial condition and financial performance. To the Company's knowledge neither the Company nor HVT are currently engaged in any litigation.

(n) **Interest Rate Risk**

Changes in interest rates can have an impact directly or indirectly on investment valuations and returns on any cash deposits held.

(o) **Different Taxation Treatment**

Investing through the Company may give different after-tax results than investing individually because of income or capital gains accrued in the Company.

(p) **Liquidity**

The Company may invest in unlisted securities or in companies whose securities are thinly traded. Therefore, its ability to sell these securities may be restricted.

(q) **Performance of Other Asset Classes**

Good performance, or anticipated performance, of other asset classes can encourage individuals to divert money away from equity markets. This may have a negative impact on the value of the investment Portfolio.

(r) **Absolute Performance versus Relative Performance**

It is the objective of the Company to show positive returns on its investment regardless of the underlying movement in value of the investment markets. With such an objective, the value of the investment Portfolio cultivated by the Company may not change in line with the overall movements in the market and its performance may differ significantly from funds that seek to measure performance against the broader share market.

8.3 Industry specific

(a) **Market risk**

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) commodity price fluctuations;
- (v) changes in investor sentiment toward particular market sectors;
- (vi) the demand for, and supply of, capital; and
- (vii) terrorism and other hostilities.

(b) **Industry Risk**

There are a number of industry risk factors that may affect the future operational performance of the Company. These factors are outside the control of the Company. Such factors include increased regulatory and compliance costs, unforeseen Government legislation, and collapse in equity markets.

(c) **Regulatory Risk**

The Company is subject to a range of regulatory controls imposed by government (federal and state) and regulatory authorities (ASX and ASIC). The relevant regulatory regimes are complex and are subject to

change over time, depending on changes in the laws and the policies of the governments and regulatory authorities.

The Company is exposed to the risk of changes to applicable laws and/or the interpretation of existing laws, which may have a negative effect on the Company, its investments and/or returns to Shareholders, or the risks associated with non-compliance with these laws (including reporting or other legal obligations). Non-compliance may result in financial penalties being levied against the Company.

(d) **General economic and political risks**

Changes in the general economic and political climate in Australia and on a global basis may impact on economic growth, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any financial services activities that may be conducted by the Company.

(e) **Insurance risk**

Insurance against all risks associated with the Company's activities is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs. However, it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

(f) **Changes in taxation laws and policies**

Tax laws are in a continual state of change which may affect the Company and its Shareholders.

There may be tax implications arising from ownership of the Shares, the receipt of franked and unfranked dividends (should any be paid) from the Company, receiving returns of capital and the disposal of the Shares.

Changes to tax laws may adversely affect the Company's financial performance and/or the returns achieved by investors. Should dividends be paid by the Company, the payment of these dividends to certain investors may not be recognised as frankable by the Australian Taxation Office.

The Company is not responsible for either taxation or penalties incurred by investors. You should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of the tax legislation to your investment in the Company.

(g) **Future capital requirements of the Company**

There can be no assurance that the Company will not need to raise additional capital to fully exploit investment opportunities available to it. There can be no assurance that the Company will be able to raise such capital on favourable terms (or at all) or, if it is able to raise the capital, that it will be able to invest that capital efficiently.

If the Company is unable to obtain or invest such additional capital, the Company may be required to reduce the scope of its investment

activities or forgo an investment opportunity which could adversely affect its business, financial condition and results of the Company.

(h) **Debt Financing Risk**

The Company may undertake borrowing and may also engage in investment strategies that constitute leverage should the Company consider this necessary or desirable. As a result, the Company could be subject to risks associated with leverage, including the risk that its cash flow will be insufficient to meet the required payments of principal and interest under such financing or its inability to comply with or maintain certain financial covenants or security ratios under such debt facilities.

8.4 General risks

(a) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's investments as well as on its ability to fund those investments.

(b) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its investments as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(c) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

8.5 What if the Transformation does not succeed?

If the conditions to the Transformation are not satisfied or waived the Transformation will not proceed and the Company will continue in its current form. The Company will continue to own, control and operate PTL and its other investments.

8.6 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

9. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

9.1 Directors and Senior Management

An overview on the background and experience of the Directors and senior management personnel of the Company is set out in Section 4E.

9.2 Disclosure of Interests

Directors are not required under the Constitution to hold any Shares to be eligible to act as a Director.

Details of the Directors' relevant interest in the Securities of the Company as at the date of this Notice and following the Disposal and Re-Compliance are set out in the table below:

Director	Shares	Options	Performance Rights
Peter Wall ¹	8,600,000	Nil	Nil
Winton Willesee ²	1,500,000	Nil	Nil
Doug Halley ³	30,000	1,000,000 ⁴	Nil

Notes:

1. Held indirectly by an entity controlled by Mr Wall, Pheakes Pty Ltd <Senate A/C>.
2. Held indirectly by an entity controlled by Mr Willesee, Silverinch Pty Limited <The Silverinch S/F A/C>.
3. Held indirectly by an entity controlled by Mr Halley Chavoo Pty Ltd <Midhurst Superannuation Fund>.
4. Subject to Shareholders approving Resolution 4 of the Notice of General Meeting dated 24 August 2018

The following table shows the total (and proposed) annual remuneration (including superannuation) paid to directors.

Director	Remuneration for year ended 30 June 2017	Remuneration for year ended 30 June 2018	Proposed remuneration for current financial year
Peter Wall	\$48,000	\$2,171,000 ¹	\$72,000
Doug Halley	n/a ²	\$97,371 ³	\$64,000 ⁴
Winton Willesee	\$62,972 ⁵	\$751,585 ⁶	\$54,000

Notes:

1. Comprising of \$56,000 in director's fees and settled equity of \$2,115,000.
2. Doug Halley was appointed a director on 16 March 2018.
3. Comprising of \$14,384 in director's fees, \$1,366 in superannuation payments and settled equity of \$81,621.
4. Comprising of the \$10,000 per annum paid to Mr Halley for his role on the Company's audit committee, in addition to the \$54,000 in director's fees.
5. This figure includes a cash payment of \$36,000 and settled equity of \$26,972.
6. Comprising of \$42,000 in director's fees and settled equity of \$709,585.

9.3 The ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by the ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's corporate governance statement, which indicates the Company's departures from these Recommendations, is contained in its Annual Report.

(a) **Board Charter**

The Board has adopted a board charter which prescribes certain principles for the operation and structure of the Board. The charter also establishes certain principles and procedures in accordance with which the Board is required to act and allocates the functions of the Company between the Board and management of the Company.

(b) **Code of Conduct**

The Board has adopted a code of conduct which sets basic principles of business conduct to which the Directors, officers and employees of the Company must adhere.

(c) **Board of Directors**

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (i) maintain and increase Shareholder value;
- (ii) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (iii) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (i) leading and setting the strategic direction and objectives of the Company;

- (ii) appointing the Chairman of the Board, Managing Director or Chief Executive Officer and approving the appointment of Executives and the Company Secretary;
- (iii) overseeing the Executive's implementation of the Company's strategic objectives and performance generally;
- (iv) approving operating budgets, major capital expenditure and significant acquisitions and divestitures;
- (v) overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit (satisfying itself financial statements released to the market fairly and accurately reflect the Company's financial position and performance);
- (vi) overseeing the Company's procedures and processes for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- (vii) reviewing, ratifying and monitoring the effectiveness of the Company's risk management framework, corporate governance policies and systems designed to ensure legal compliance; and
- (viii) approving the Company's remuneration framework.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

(d) **Composition of the Board**

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto:

- (i) membership of the Board of Directors will be reviewed regularly to ensure the mix of skills and expertise is appropriate; and
- (ii) the composition of the Board has been structured so as to provide the Company with an adequate mix of directors with industry knowledge, technical, commercial and financial skills together with integrity and judgment considered necessary to represent shareholders and fulfil the business objectives of the Company.

The Board currently consists of three directors (a non-executive chairman and two non-executive directors) of whom Doug Halley and Winton Willesee are considered independent. The Board considers the current balance of skills and expertise is appropriate for the Company for its currently planned level of activity.

To assist the Board in evaluating the appropriateness of the Board's mix of qualifications, experience and expertise, the Board will maintain a Board Skills Matrix.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to Shareholders a candidate for election as a Director.

The Board ensures that Shareholders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director.

The Company shall develop and implement a formal induction program for Directors which allows new directors to participate fully and actively in Board decision-making at the earliest opportunity and enable new Directors to gain an understanding of the Company's policies and procedures.

(e) **Identification and management of risk**

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

(f) **Continuous Disclosure Policy**

The Board has adopted a continuous disclosure policy to ensure the Company will be in a position to comply with its disclosure obligations following re-admission to the Official List.

Under the policy, the Company Secretary will have primary responsibility for ensuring the Company complies with its continuous disclosure obligations.

(g) **Ethical standards**

The Board is committed to the establishment and maintenance of appropriate ethical standards.

(h) **Independent professional advice**

Subject to the chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(i) **Remuneration arrangements**

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors was initially set by the Directors and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The fees paid to Directors for the financial year ending 30 June 2018 and the Company's intentions regarding remuneration for the financial year ending 30 June 2019 are set out in Section 9.2.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

(j) **Trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of Securities in the Company by its directors, officers, employees and contractors. The policy generally provides that for directors, the written acknowledgement of the chair (or the Board in the case of the chairman) must be obtained prior to trading.

(k) **External audit**

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

(l) **Diversity policy**

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Company has therefore adopted a diversity policy, outlining the Company's diversity objectives. In particular, under the policy the Board will establish measurable objectives for achieving gender diversity when it has grown to a point where it is appropriate to do so.

9.4 Departures from Recommendations

Following readmission to the Official List of the ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's departures from the Recommendations will be announced prior to the Company's re-admission to the Official List of the ASX.

10. MATERIAL CONTRACTS

10.1 SSA for the Disposal

The Company entered into a binding share sale agreement pursuant to which it conditionally agreed to sell its wholly-owned subsidiary PhytoTech Therapeutics Ltd to Harvest One Cannabis Inc.

The key terms and conditions of the SSA for the Disposal are set out below:

- (i) **(Consideration)**: the total consideration for the Disposal is CAD\$8 million payable to the Company as follows:

Cash (CAD\$)	HVT Shares*(CAD\$)	Total (CAD\$)
\$1m	\$7m	\$8m

**The issue price for the HVT Shares will be based on the 10-day volume weighted average price of those shares immediately prior to settlement of the Disposal.*

- (ii) **(Conditions Precedent)**: The settlement of the Disposal (**Settlement**) is conditional upon the satisfaction or waiver of the following conditions:

- (A) MMJ obtaining all necessary shareholder approvals pursuant to the Corporations Act, the ASX Listing Rules or any other law to allow MMJ to lawfully complete the matters set out in the SSA, including, without limitation:
- (I) ASX Listing Rule 11.1.2 approval authorising a change of nature of activities of MMJ (as applicable); and
 - (II) ASX Listing Rule 10.1 approval for the Disposal to HVT (or its nominee/s);
- (B) conversion of the balance of all intercompany loans between MMJ as the lender and PTL as the borrower into PTL shares;
- (C) MMJ and HVT obtaining all necessary third-party approvals or consents to give effect to, and to allow them to lawfully complete the matters set out in the SSA; and
- (D) MMJ and HVT obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the Parties to lawfully complete the matters set out in this SSA, including but not limited to:
- (I) the conditional approval for MMJ's securities to be reinstated to trading on the ASX on conditions satisfactory to MMJ acting reasonably; and
 - (II) the conditional approval of the TSX Venture Exchange for the listing of the HVT Shares issuable under the SSA.

The SSA otherwise contains terms and conditions considered standard for an agreement of its nature.

No person or party has been paid or will be paid any fees for finding, arranging or facilitating the Disposal.

Further information regarding the SSA and the Disposal can be found in Sections 6.2 and 7.

10.2 Intermediary Authorisation Agreement

The Company entered into an AFSL Intermediary Arrangement on 19 September 2018 with Barclay Wells (ABN 88 009 352 836). As a LIC, the Company requires an AFSL in order to issue securities to retail investors.

The key material terms of that arrangement are as follows:

- (a) Barclay Wells is the holder of an Australian Financial Services Licence (AFSL 235070) with the appropriate authorisations to issue shares to both retail and wholesale investors.
- (b) The Company has appointed Barclay Wells to issue securities to both retail and wholesale investors pursuant to the Offer.
- (c) The Offer will be subject to the usual requirement of such offers in accordance with section 911A of the Corporations Act.
- (d) The Company will pay Barclay Wells a fee of \$6,000 under the AFSL agreement.

10.3 Non-Executive Letter of Appointment – Douglas Halley

The Company has entered into an appointment letter with Mr Douglas Halley pursuant to which Mr Halley is appointed as a Non-Executive Director of the Company on the following terms:

- (a) **(Fees):** fees of \$54,000 (inclusive of superannuation) per annum are payable by the Company to Mr Halley;
- (b) **(Audit Fees):** Mr Halley is also paid an additional \$10,000 per annum for his role on the Company's audit committee;
- (c) **(Equity Package):** Mr Halley will be issued 1,000,000 Options to acquire Shares, subject to Shareholder approval, on the following terms;
 - (i) **Exercise Price:** equal to 135% of the 5 day VWAP of Shares traded on the ASX at the date of issue;
 - (ii) **Expiry Date:** three (3) years from the date of issue; and
 - (iii) **Vesting Conditions:** the Options will shall vest and become exercisable over a period of two (2) years, commencing on the date of issue, such that 25% of the Options shall vest at the end of each of the four (4) successive six (6) month periods following the date of issue;
- (d) **(Term):** the term of Mr Halley's appointment is subject to provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which Mr Halley is not re-elected as a director by Shareholders.

The appointment letter otherwise contains terms and conditions that are considered standard for an agreement of its nature.

10.4 Non-Executive Letter of Appointment – Winton Willesee

The Company has entered into an appointment letter with Mr Winton Willesee pursuant to which Mr Willesee is appointed as a Non-Executive Director of the Company on the following terms:

- (a) **(Fees):** fees of \$54,000 per annum (excluding GST) are payable by the Company to Mr Willesee; and
- (b) **(Term):** the term of Mr Willesee's appointment is subject to provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which Mr Willesee is not re-elected as a director by Shareholders.

The appointment letter otherwise contains terms and conditions that are considered standard for an agreement of its nature.

10.5 Non-Executive Letter of Appointment – Peter Wall

The Company has entered into an appointment letter with Mr Peter Wall pursuant to which Mr Wall is appointed as a Non-Executive Chairman of the Company on the following terms:

- (a) **(Fees):** fees of \$72,000 per annum (excluding GST) are payable by the Company to Mr Wall; and
- (b) **(Term):** the term of Mr Wall's appointment is subject to provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which Mr Wall is not re-elected as a director by Shareholders.

The appointment letter otherwise contains terms and conditions that are considered standard for an agreement of its nature.

10.6 Executive Services Agreement – Mr Jason Conroy

The Company has entered into an executive services agreement with Mr Jason Conroy on the following material terms:

- (a) **(Position):** Chief Executive Officer.
- (b) **(Commencement Date):** 26 February 2018.
- (c) **(Term):** The term of the executive services agreement will continue until the agreement is validly terminated.
- (d) **(Termination):** The Company may at, its sole discretion, terminate the agreement by giving up to six (6) months' written notice to Mr Conroy and, at the end of that notice period, making a payment to Mr Conroy equal to the salary payable over a twelve (12) month period.

The Company may also terminate the agreement;

- (i) by giving not less than one (1) months' written notice if at any time Mr Conroy becomes incapacitated or commits a serious breach which remains un-remedied; or

- (ii) summarily if Mr Conroy is convicted of any major criminal offence which brings the Company or any of its Related Bodies Corporate into lasting disrepute.

Mr Conroy may terminate the agreement;

- (i) If at any time the Company commits any serious or persistent breach of the agreement and the breach is not remedied within 28 days of receipt of written notice from Mr Conroy, by giving notice effective immediately; or
 - (ii) by giving three (3) months' written notice to the Company.
- (e) **(Remuneration)**: fees of \$300,000 per annum (excluding superannuation) are payable by the Company to Mr Conroy;
 - (f) **(Equity Package)**: Mr Conroy was issued, in accordance with the agreement, 6,000,000 Performance Rights, across three tranches of 2,000,000 Performance Rights each, subject to the terms and conditions noted in Sections 11.9, 11.10 and 11.11 of this Prospectus.
 - (g) **(Superannuation)**: The Company will make employer contributions on behalf of Mr Conroy to the superannuation fund of Mr Conroy's choice; and
 - (h) **(Performance Based Bonuses)**: the Company may at any time during the term of the agreement pay to Mr Conroy a performance-based bonus over and above the Salary.

The agreement otherwise contains terms and conditions that are considered standard for an agreement of its nature.

10.7 Executive Services Agreement – Mr Jim Hallam

The Company has entered into an executive services agreement with Mr Jim Hallam on the following material terms:

- (a) **(Position)**: Chief Financial Officer and Company Secretary.
- (b) **(Commencement Date)**: Mr Hallam commenced the position of Chief Financial Officer on 4 June 2018 and Company Secretary on 25 August 2018.
- (c) **(Term)**: The term of the executive services agreement will continue until the agreement is validly terminated.
- (d) **(Termination)**: The Company may at, its sole discretion, terminate the agreement by giving three (3) months' written notice to Mr Hallam.

The Company may also terminate the agreement;

- (i) by giving not less than one (1) months' written notice if at any time Mr Hallam becomes incapacitated or commits a serious breach which remains un-remedied; or
- (ii) summarily if Mr Hallam is convicted of any major criminal offence which brings the Company or any of its Related Bodies Corporate into lasting disrepute.

Mr Hallam may terminate the agreement;

- (i) If at any time the Company commits any serious or persistent breach of the agreement and the breach is not remedied within 28 days of receipt of written notice from Mr Hallam, by giving notice effective immediately; or
 - (ii) by giving three (3) months' written notice to the Company.
- (e) **(Remuneration)**: fees of \$250,000 per annum (including superannuation) are payable by the Company to Mr Hallam;
- (f) **(Equity Package)**; Mr Hallam was issued, in accordance with the agreement, 2,500,000 Performance Rights, being:
- (i) 833,333 Class H Performance Rights;
 - (ii) 833,333 Class I Performance Rights; and
 - (iii) 833,334 Class J Performance Rights,
- subject to the following terms noted in Sections 11.9, 11.10 and 11.11.
- (g) **(Superannuation)**: The Company will make employer contributions on behalf of Mr Hallam to the superannuation fund of Mr Hallam's choice; and
- (h) **(Performance Based Bonuses)**: the Company may at any time during the term of the agreement pay to Mr Hallam a performance-based bonus over and above the Salary.

The agreement otherwise contains terms and conditions that are considered standard for an agreement of its nature.

10.8 Deeds of Indemnity, Insurance and Access

The Company has entered into deeds of indemnity, insurance and access with each of its Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company or a related body corporate (subject to customary exceptions). The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the Board in certain circumstances.

11. ADDITIONAL INFORMATION

11.1 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

11.2 Rights attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(i) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(ii) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (A) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (B) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (C) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(iii) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the

amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(iv) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(v) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(vi) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(vii) **Variation of rights**

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the

holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(viii) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

11.3 **Rights attaching to Class C Options**

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (k), the amount payable upon exercise of each Option will be \$0.31.

(c) **Expiry Date**

The Options will expire at 5:00 pm (WST) on 6 May 2019 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Vesting Conditions**

The Options are subject to the following vesting conditions:

- (i) 116,666 Options will vest after twelve months of employment;
- (ii) 116,666 Options will vest after twenty-four months of employment; and
- (iii) 116,667 Options will vest after thirty-six months of employment.

(e) **Exercise Period**

The Options are exercisable at any time on and from the earlier of the satisfaction of the relevant vesting condition set out in (d) above until the Expiry Date (**Exercise Period**).

(f) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(g) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment

of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(h) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(i) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(j) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(k) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(l) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(m) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(n) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(o) **Transferability**

The Options are not transferable, without the prior consent of the Company.

11.4 **Rights attaching to Class G Options**

The rights attaching to the Class G Options are the same as the Class C Options, set out above at 11.3, except for:

(a) **Exercise Price**

Subject to paragraph 11.3(k), the amount payable upon exercise of each Option is \$0.36.

(b) **Expiry Date**

The Options will expire at 5:00 pm (WST) on 1 March 2019. An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Vesting Conditions**

There are no vesting conditions.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date.

11.5 **Rights attaching to Class H Options**

The rights attaching to the Class H Options are the same as the Class C Options, set out above at 11.3, except for:

(a) **Exercise Price**

Subject to paragraph 11.3(k), the amount payable upon exercise of each Option is \$0.27.

(b) **Expiry Date**

The Options will expire at 5:00 pm (WST) on 31 January 2020. An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Vesting Conditions**

The Options shall vest and become exercisable over a period of 3 years, commencing from the later of:

- (i) the date of commencement of employment or engagement with the Company; or
- (ii) 27 July 2015;

(Commencement Date)

such that one twelfth of the Options shall vest on the end of each three (3) month period of continuous employment or engagement following the Commencement Date.

(d) **Cessation of Employment**

Should the holder cease employment or engagement by the Company:

- (i) any unexercised Options that have vested as at the date of cessation of employment or engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the Option within a period of 6 months after the Cessation Date.
- (ii) any unexercised Options that have not vested as at the Cessation Date shall immediately lapse upon the Cessation Date.

11.6 **Rights attaching to Class J Options**

The rights attaching to the Class J Options are the same as the Class C Options, set out above at 11.3, except for:

(a) **Exercise Price**

Subject to paragraph 11.3(k), the amount payable upon exercise of each Option is \$0.24.

(b) **Expiry Date**

The Options will expire at 5:00 pm (WST) on 1 September 2020. An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Vesting Conditions**

The Options shall vest and become exercisable over a period of 3 years, commencing from the date of commencement of employment or engagement with the Company (Commencement Date) such that one third of the Options shall vest on the end of each twelve (12) month period of continuous employment or engagement following the Commencement Date.

(d) **Cessation of Employment**

Should the holder cease employment or engagement by the Company:

- (i) any unexercised Options that have vested as at the date of cessation of employment or engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the Option within a period of 6 months after the Cessation Date.
- (ii) any unexercised Options that have not vested as at the Cessation Date shall immediately lapse upon the Cessation Date.

11.7 Rights attaching to Class K Options

The rights attaching to the Class K Options are the same as the Class C Options, set out above at 11.3, except for:

(a) **Exercise Price**

Subject to paragraph 11.3(k), the amount payable upon exercise of each Option is \$0.35.

(b) **Expiry Date**

The Options will expire at 5:00 pm (WST) on 31 October 2021. An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Vesting Conditions**

The Options shall vest and become exercisable over a period of 3 years, commencing from 1 November 2017 (Commencement Date) such that one third of the Options shall vest on the end of each twelve (12) month period of continuous employment or engagement following the Commencement Date.

(d) **Exercise Period**

The Options are exercisable at any time on and from the earlier of the satisfaction of the relevant vesting condition set out in (d) above until the Expiry Date.

(e) **Cessation of Employment**

Should the holder cease employment or engagement by the Company:

- (i) any unexercised Options that have vested as at the date of cessation of employment or engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the Option within a period of 6 months after the Cessation Date; and
- (ii) any unexercised Options that have not vested as at the Cessation Date shall immediately lapse upon the Cessation Date.

11.8 Rights attaching to Class D Performance Rights

(a) **Milestones:**

If the Company enters into a licensing agreement (or similar arrangement) to commercialise or develop the intellectual property relating to any patent applications in which the Company had an interest at the date the Company lodged its IPO Prospectus with the ASIC.

The Class D Performance Rights held by Boaz Wachtel's controlled entity shall vest upon the company group or collaborating partner(s), setting up a MC growing facility or production facility of MC and or cannabinoid products in a jurisdiction (including Uruguay) which laws do not currently, but in the future, permit the growth of MC or the production of medical cannabinoid products and achieving first commercial sales of MC from such facility.

(b) **Notification to holder:**

The Company shall notify the holder in writing when the relevant Milestones have been satisfied.

(c) **Vesting:**

The relevant Performance Rights shall vest on the later to occur of:

- (i) the date that the Milestone relating to that Performance Right has been satisfied; and
- (ii) the date that the holder gives a notice to the Company confirming that the holder would like the Performance Rights to vest.

(d) **Consideration:**

The Performance Rights will be issued for \$0.0001 each and no consideration will be payable upon the vesting of the Performance Rights.

(e) **Conversion:**

Upon satisfaction of the relevant Performance Rights vesting, each Performance Right will, at the election of the holder, vest and convert into one Share.

(f) **Lapse of a Performance Right:**

If the Milestone attaching to a Performance Right has not been satisfied, it will automatically lapse 4 years from the admission date, being 22 January 2019.

Otherwise, any Performance Right that has not been converted into a Share within 5 years of the admission date, being 22 January 2020, will automatically lapse.

- (g) **Share ranking:**
- All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.
- (h) **Listing of Shares on ASX:**
- The Company will not apply for quotation of the Performance Rights on ASX. However, the Company will apply for quotation of all Shares issued pursuant to the vesting of Performance Rights on ASX within the period required by ASX.
- (i) **Transfer of Performance Rights:**
- A Performance Right is only transferable with the prior written consent of the board.
- (j) **Participation in new issues:**
- There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.
- (k) **Adjustment for bonus issue:**
- If securities are issued pro-rata to Shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the number of Performance Rights to which each holder is entitled, will be increased by that number of securities which the holder would have been entitled if the Performance Rights held by the holder were vested immediately prior to the record date of the bonus issue, and in any event in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the bonus issue.
- (l) **Adjustment for reconstruction:**
- If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Right (including the Vesting Conditions) are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (m) **Dividend and Voting Rights:**
- A Performance Right does not confer upon the holder an entitlement to vote or receive dividends.

11.9 Rights attaching to Class H Performance Rights

The rights attaching to the Class H Performance Rights are the same as the Class D Performance Rights, set out above at 11.8, except for:

- (a) **Milestones:**
- The Performance Rights held by Jim Hallam shall vest immediately upon the 20 day volume weighted average price of Shares on the ASX being at or above \$0.60 on or before 26 February 2022.

The Performance Rights held by Jason Conroy vest immediately upon the 20 day VWAP of Shares on the ASX being at or above \$0.60 (as adjusted for any consolidation or reconstruction of the Company's capital) within 48 months from the date of grant, being 2 March 2020.

(b) **Notification to holder:**

The Company shall notify the holder in writing when the relevant Milestones have been satisfied.

(c) **Transfer of Performance Rights:**

A Performance Right is only transferable with the prior written consent of the board or by force of law upon death to the holder's legal personal representative or upon bankruptcy to the holder's trustee in bankruptcy.

(d) **Lapse of a Performance Right:**

If the Milestone attaching to a Performance Right has not been satisfied in the time periods set out below, it will automatically lapse on 26 February 2023.

(e) **Lapsing Otherwise**

if the Vesting Condition has not been satisfied and the holder is no longer engaged by the Company as a director, employee or consultant for whatever reason, any unvested Performance Rights held by that holder will automatically lapse.

(f) **Sale Restrictions**

The Board may, in its discretion, determine at any time up until conversion of Performance Rights, that a restriction period will apply to some or all of the Shares issued to an Eligible Participant (or their eligible nominee) on exercise of those Performance Rights.

11.10 **Rights attaching to Class I Performance Rights**

The rights attaching to the Class I Performance Rights are the same as the Class D Performance Rights, set out above at 11.8, except for:

(a) **Milestones:**

The Performance Rights held by Jim Hallam shall vest immediately upon the 20 day volume weighted average price of Shares on the ASX being at or above \$0.80 on or before 26 February 2022.

The Performance Rights held by Jason Conroy shall vest immediately upon the 20 day VWAP of Shares on the ASX being at or above \$0.80 (as adjusted for any consolidation or reconstruction of the Company's capital) within 48 months from the date of grant, being 2 March 2020.

(b) **Notification to holder:**

The Company shall notify the holder in writing when the relevant Milestones have been satisfied.

(c) **Transfer of Performance Rights:**

A Performance Right is only transferable with the prior written consent of the board or by force of law upon death to the holder's legal personal representative or upon bankruptcy to the holder's trustee in bankruptcy.

(d) **Lapse of a Performance Right:**

If the Milestone attaching to a Performance Right has not been satisfied in the time periods set out below, it will automatically lapse on 26 February 2023.

(e) **Lapsing Otherwise**

if the Vesting Condition has not been satisfied and the holder is no longer engaged by the Company as a director, employee or consultant for whatever reason, any unvested Performance Rights held by that holder will automatically lapse.

(f) **Sale Restrictions**

The Board may, in its discretion, determine at any time up until conversion of Performance Rights, that a restriction period will apply to some or all of the Shares issued to an Eligible Participant (or their eligible nominee) on exercise of those Performance Rights.

11.11 **Rights attaching to Class J Performance Rights**

The rights attaching to the Class H Performance Rights are the same as the Class D Performance Rights, set out above at 11.8, except for:

(a) **Milestones:**

The Performance Rights shall vest immediately upon the 20 day volume weighted average price of Shares on the ASX being at or above \$1.00 on or before 26 February 2022.

The Performance Rights held by Jason Conroy shall vest immediately upon the 20 day VWAP of Shares on the ASX being at or above \$1.00 (as adjusted for any consolidation or reconstruction of the Company's capital) within 48 months from the date of grant, being 2 March 2020.

(b) **Notification to holder:**

The Company shall notify the holder in writing when the relevant Milestones have been satisfied.

(c) **Transfer of Performance Rights:**

A Performance Right is only transferable with the prior written consent of the board or by force of law upon death to the holder's legal personal representative or upon bankruptcy to the holder's trustee in bankruptcy.

(d) **Lapse of a Performance Right:**

If the Milestone attaching to a Performance Right has not been satisfied in the time periods set out below, it will automatically lapse on 26 February 2023.

(e) **Lapsing Otherwise**

if the Vesting Condition has not been satisfied and the holder is no longer engaged by the Company as a director, employee or consultant for whatever reason, any unvested Performance Rights held by that holder will automatically lapse.

(f) **Sale Restrictions**

The Board may, in its discretion, determine at any time up until conversion of Performance Rights, that a restriction period will apply to some or all of the Shares issued to an Eligible Participant (or their eligible nominee) on exercise of those Performance Rights.

11.12 Employee Share Option Plan

The material terms and conditions of the Employee Share Option Plan (**ESOP**) are as follows:

(a) **Eligibility and Grant of Plan Options**

The Board may grant ESOP Options to any full or **part** time employee or Director of the Company or an associated body corporate (**Company Group**) or subject to, and in accordance with, any necessary ASIC relief being obtained, a casual employee or contractor of the Company Group (**Eligible Participant**). ESOP Options may be granted by the Board at any time.

(b) **Consideration**

Unless the ESOP Options are quoted on the ASX, ESOP Options will be issued for no more than nominal cash consideration.

(c) **Conversion**

Each ESOP Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.

(d) **Exercise Price and Expiry Date**

The exercise price and expiry date for ESOP Options granted under the Plan will be determined by the Board prior to the grant of the ESOP Options.

(e) **Exercise Restrictions**

The ESOP Options granted under the ESOP may be subject to conditions on exercise as may be fixed by the Directors prior to grant of the Plan Options (**Exercise Conditions**). Any restrictions imposed by the Directors must be set out in the offer for the ESOP Options.

(f) **Renounceability**

Eligible Participants may renounce their offer in favour of a nominee (the Eligible Participants and their nominees are each **Participants**).

(g) **Lapsing of ESOP Options**

Subject to the terms of the offer made to a Participant, an unexercised ESOP Option will lapse:

- (i) on the Eligible Participant ceasing employment with the Company and:
 - (A) any Exercise Conditions have not been met by the date the Relevant Person ceases to be an Eligible Participant (Ceasing Date); or
 - (B) where any Exercise Conditions have been met by the Ceasing Date or the ESOP Option is not subject to any Exercise Conditions, the Participant does not exercise the ESOP Option within a period of six (6) months after the Ceasing Date (or a further date as determined by the Board after the Ceasing Date);
- (ii) if any Exercise Condition is unable to be met; or
- (iii) the expiry date has passed.

(h) **Share Restriction Period**

Shares issued on the exercise of ESOP Options may, at the discretion of the Board, be subject to a restriction that they may not be transferred or otherwise dealt with until a restriction period has expired, as specified in the offer for the ESOP Options.

(i) **Disposal of Options**

ESOP Options will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise or the Board in its absolute discretion approves.

(j) **Trigger Events**

The Company may permit ESOP Options to be exercised in certain circumstances where there is a change in control of the Company (including by takeover) or entry into a scheme of arrangement.

(k) **Participation**

There are no participating rights or entitlements inherent in the ESOP Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the ESOP Options.

(l) **Change in exercise price**

An ESOP Option will not confer a right to a change in exercise price or a change in the number of underlying Shares over which the ESOP Option can be exercised.

(m) **Reorganisation**

If at any time the capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant

are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

(n) **Limitations on Offers**

The Company must have reasonable grounds to believe, when making an offer under the ESOP, that the number of Shares to be received on exercise of Options offered under an ESOP offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous 3 year period under an employee incentive scheme covered by an ASIC Legislative Instrument or an ASIC exempt arrangement of a kind similar to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.

11.13 Interests of Directors

Other than as set out in this Prospectus, no Director holds, or has held within the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (iii) the Offer.

11.14 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

BDO Corporate Finance (WA) Pty Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and Financial Information, which is included at Annexure A of this Prospectus. The Company estimates it will pay BDO Corporate Finance (WA) Pty Ltd a total of \$5,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO Corporate Finance (WA) Pty Ltd has received \$7,854 from the Company for other services.

Barclay Wells has acted as the Company's Authorised Intermediary in the preparation of this Prospectus. The Company estimates it will pay Barclay Wells a total of \$6,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Barclay Wells has received no amount in fees from the Company.

Steinepreis Paganin has acted as the Company's solicitor in the preparation of this Prospectus. The Company estimates it will pay Steinepreis Paganin a total of \$50,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received \$310,178.48 (excl GST and disbursements) in fees from the Company.

11.15 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and

- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

BDO Corporate Finance (WA) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report at Annexure A of this Prospectus in the form and context in which the information and report is included. BDO Corporate Finance (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Barclay Wells has given its written consent to being named as the Authorised Intermediary to the Company in this Prospectus. Barclay Wells has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Automic Registry Services has given its written consent to being named as the share registry to the Company in this Prospectus. Automic Registry Services has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

BDO Audit (WA) Pty Ltd has given its written consent to being named as the auditor to the Company in this Prospectus. BDO Audit (WA) Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the Australian solicitors to the Company in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

11.16 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately \$209,206 if the Offer is fully subscribed, and are expected to be applied towards the items set out in the table below.

Item of Expenditure	Full Subscription (\$)
ASIC fees	\$3,206
ASX fees	\$130,000
Authorised Intermediary Fees	\$6,000
Investigating Accountant's Fees	\$5,000
Legal Fees	\$50,000
Printing and Distribution	\$10,000
Miscellaneous	\$5,000
TOTAL	\$209,206

11.17 Continuous disclosure obligations

As the Company is admitted to the Official List, the Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

11.18 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.mmjphytotech.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

11.19 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

11.20 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company currently participates in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

11.21 Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information are governed by legislation including the *Privacy Act 1988* (as amended), the *Corporations Act* and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

12. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Mr Peter Wall
Chairman
For and on behalf of
MMJ PhytoTech Limited (to be renamed "MMJ Group Holdings Limited")

13. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

\$ means Australian dollars.

ACMPR means Access to Cannabis for Medical Purposes Regulations.

AFSL means an Australian Financial Services License.

Application Form means the application forms attached to or accompanying this Prospectus relating to the Offer.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Authorised Intermediary means as defined in Section 7.6.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

CAD\$ means Canadian dollars.

Closing Date means the closing date of the Offers as set out in the indicative timetable in Section 2 (subject to the Company reserving the right to extend the Closing Date or close the Offers early).

Company or **MMJ** means MMJ PhytoTech Limited (ACN 601 236 417).

Completion means completion of the Transformation.

Conditions means as defined in Section 6.2.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Disposal means MMJ's sale of its wholly-owned subsidiary PhytoTech Therapeutics Ltd to Harvest One Cannabis Inc. for total consideration of CAD\$8 million.

Essential Shareholder Approvals has the meaning given in Section 6.2.

Financial Information means the Company's financial information prepared by the Investigating Accountant as set out at Annexure A.

General Meeting or **Meeting** means the general meeting of Shareholders which is proposed to be held on 5 October 2018, in accordance with the postponement announced on 28 September 2018.

HVT means Harvest One Cannabis Inc.

Investigating Accountant's Report means the Investigating Accountant's Report set out at Annexure A of this Prospectus.

Investment Strategy means the Company's investment strategy as outlined in Section 7.7.

Investment Entity means an entity whose principal activities relate to investing in listed or unlisted securities and whose objectives do not include exercising control over or managing any entity, or the business of any entity, in which it invests.

LIC means Listed Investment Company.

NTA means net tangible assets.

Notice of Meeting means the notice of general meeting dated 24 August 2018.

Offer means the offer of up to 2,000 Shares at \$0.50 to raise up to \$1,000 pursuant to this Prospectus.

Official List means the official list of the ASX.

Official Quotation means official quotation by the ASX in accordance with the ASX Listing Rules.

Option means an option to acquire a Share.

PTL means PhytoTech Therapeutics Ltd.

Prospectus means this prospectus.

Portfolio means the investments of the Company, including those detailed at Section 5.2.

Quoted Securities means Shares and quoted Options.

Re-Compliance means to re-comply with the conditions in Chapters 1 and 2 of the ASX Listing Rules.

Resolution means a resolution contained within the Notice of Meeting.

Section means a section of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

SSA means the binding share sale agreement between the Company and HVT dated 25 June 2018.

Transformation means the Company, and the business which remains after the Disposal, becoming an Investment Entity and amounting to a significant change in the nature of the Company's current activities.

WST means Western Standard Time as observed in Perth, Western Australia.

ANNEXURE A - INVESTIGATING ACCOUNTANT'S REPORT



MMJ PHYTOTECH LIMITED
Investigating Accountant's Report

26 September 2018

26 September 2018

The Directors

MMJ PhytoTech Limited

Suite 518, Level 5 165-167 Phillip Street

SYDNEY NSW 2000

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

BDO Corporate Finance (WA) Pty Ltd ('**BDO**') has been engaged by MMJ PhytoTech Limited ('**MMJ**' or '**the Company**') to prepare this Investigating Accountant's Report ('**Report**') in relation to certain financial information of MMJ, for the re-compliance of MMJ as an Investment Entity and offer, for inclusion in the Prospectus. Broadly, in order to comply with the requirements of the re-compliance as an Investment Entity, MMJ will (amongst the other ASX requirements) need to demonstrate, at the time of re-compliance, that it has net tangible assets of at least \$15 million. The prospectus will offer up to 2,000 shares at an issue price of \$0.50 per share, to raise up to \$1,000.

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd ('**BDO**') holds an Australian Financial Services Licence (AFS Licence Number 316158).

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

2. Scope

You have requested BDO to perform a review engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements

applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

You have requested BDO to review the following historical financial information (together the ‘**Historical Financial Information**’) of MMJ included in the Prospectus:

- the audited consolidated historical Statement of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2018, 30 June 2017 and 30 June 2016;
- the audited historical Statement of Financial Position as at 30 June 2018, 30 June 2017 and 30 June 2016;
- the audited historical Statement of Changes in Equity for the years ended 30 June 2018, 30 June 2017 and 30 June 2016; and
- the audited historical Statement of Cash Flows for the years ended 30 June 2018, 30 June 2017 and 30 June 2016.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company’s adopted accounting policies. The Historical Financial Information has been extracted from:

- the financial reports of MMJ for the years ended 30 June 2018, 30 June 2017 and 30 June 2016 which was audited by BDO Audit (WA) Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit (WA) Pty Ltd issued an unmodified audit opinion on the financial report.

Pro Forma Historical Financial Information

You have requested BDO to review the following pro forma historical financial information (the ‘**Pro Forma Historical Financial Information**’) of MMJ included in the Prospectus:

- the pro forma historical Statement of Financial Position as at 30 June 2018.

The Pro Forma Historical Financial Information has been derived from the historical financial information of MMJ, after adjusting for the effects of the subsequent events described in Section 6 of this Report and the pro forma adjustments described in Section 7 of this Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 7 of this Report, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company’s actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by MMJ to illustrate the impact of the event(s) or transaction(s) described in Section 6 and Section 7 of the Report on MMJ’s financial position as at 30 June 2018. As part of this process, information about MMJ’s financial position has been extracted by MMJ from MMJ’s financial statements for the year ended 30 June 2018.

3. Directors’ responsibility

The directors of MMJ are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such

internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our review procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

5. Conclusion

Historical Financial Information

Based on our review engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendices to this Report, and comprising:

- the audited consolidated historical Statement of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2018, 30 June 2017 and 30 June 2016;
- the audited historical Statement of Financial Position as at 30 June 2018;
- the audited historical Statement of Changes in Equity for the years ended 30 June 2018, 30 June 2017 and 30 June 2016; and
- the audited historical Statement of Cash Flows for the years ended 30 June 2018, 30 June 2017 and 30 June 2016,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

Pro Forma Historical Financial information

Based on our review engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, and comprising:

- the pro forma historical Statement of Financial Position of MMJ as at 30 June 2018,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

6. Subsequent Events

The pro-forma statement of financial position reflects the following events that have occurred subsequent to 30 June 2018:

- On 16 July 2018, MMJ announced that it purchased a 2.5% shareholding in Embark Health Inc for CAD\$150,000 (\$154,000 converted at an exchange rate of CAD/AUD 1.028 on 30 June 2018). This has been reflected as a subsequent event through a reduction in cash and cash equivalents and an increase in financial assets held for trading; and
- On 15 August 2018, MMJ purchased an additional 300,000 shares in privately-held BevCanna Enterprises Inc ('BevCanna') for CAD\$250,000 (\$257,000 converted at an exchange rate of CAD/AUD 1.028 on 30 June 2018). This has been reflected as a subsequent event through a reduction in cash and cash equivalents and an increase in financial assets held for trading.

7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro forma historical Statement of Financial Position is shown in Appendix 2. This has been prepared based on the financial statements as at 30 June 2018, the subsequent events set out in Section 6, and the following assumptions:

- The Company is seeking approval for the sale of its wholly owned subsidiary PhytoTech Therapeutics Limited ('PTL') for the total consideration of CAD\$8 million, comprising CAD\$1 million in cash (\$1,028,000 per note 2) and CAD\$7 million (\$7,197,000 per note 3) in Harvest One Cannabis Inc ('Harvest One') shares. Approval will be sought at the next shareholders meeting pursuant to ASX Listing Rule 11.1.2 and to re-comply with Chapters 1 and 2 of the ASX Listing Rules. In the event that the Company does not obtain shareholder approval, the disposal will not proceed. As such, the sale has been reflected as a pro forma adjustment;
- The issue of 2,000 ordinary shares at \$0.50 per share to raise \$1,000; and
- Costs of re-compliance are estimated to be \$209,206. The costs directly attributable to the capital raising are \$35,000, which are to be offset against the contributed equity. The remaining costs of re-compliance being between \$174,206 have been expensed through accumulated losses.

8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the re-compliance process and offer other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO is the auditor of MMJ and from time to time, BDO also provides MMJ with certain other professional services for which normal professional fees are received.

9. Disclosures

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Peter Toll', with a long horizontal flourish extending to the right.

Peter Toll

Director

APPENDIX 1

MMJ PHYTOTECH LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-18 \$'000
Revenue	
Interest received	225
Sales revenue	211
Realised gain on disposal of financial assets held for trading	3,271
Unrealised loss on revaluation of financial assets held for trading	(13,275)
Total revenue	(9,568)
Other income	29,185
Expenses	
Cost of sales	(724)
Employee and director related expenses	(2,795)
Depreciation and amortisation expense	(709)
Finance costs	(1,494)
Marketing and investor relations	(509)
Administration expenses	(1,885)
Consultancy and legal expenses	(939)
Research and development expense	(232)
Compliance and regulatory expenses	(339)
Equity based payments expense	(7,937)
Net foreign exchange loss	(80)
Impairment of inventory	(213)
Loss on disposal of investment	(105)
Profit/(Loss) before income tax expense	1,656
Income tax expense	(467)
Profit/(Loss) after income tax expense for the year	1,189
Other comprehensive income	
<i>Items that may be reclassified subsequently to profit or loss</i>	
Foreign currency translation	(503)
Total comprehensive profit for the period	686

This consolidated statement of profit or loss and other comprehensive income shows the historical financial performance of MMJ and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3 and the prior year financial information set out in Appendix 4, Appendix 5 and Appendix 6. Past performance is not a guide to future performance.

APPENDIX 2
MMJ PHYTOTECH LIMITED
CONSOLIDATED PROFORMA STATEMENT OF FINANCIAL POSITION

	Note	Audited as at 30-Jun-18 \$'000	Subsequent events \$'000	Pro-forma adjustments \$'000	Pro-forma after Offer \$'000
CURRENT ASSETS					
Cash and cash equivalents	2	1,347	(411)	820	1,756
Trade and other receivables		110	-	-	110
Financial assets held for trading	3	63,091	411	(1,028)	62,474
TOTAL CURRENT ASSETS		64,548	-	(208)	64,340
NON-CURRENT ASSETS					
Property, plant and equipment		55	-	-	55
Deferred tax assets		433	-	-	433
TOTAL NON-CURRENT ASSETS		488	-	-	488
TOTAL ASSETS		65,036	-	(208)	64,828
CURRENT LIABILITIES					
Trade and other payables		390	-	-	390
TOTAL CURRENT LIABILITIES		390	-	-	390
NON-CURRENT LIABILITIES					
Deferred tax		899	-	-	899
TOTAL NON-CURRENT LIABILITIES		899	-	-	899
TOTAL LIABILITIES		1,289	-	-	1,289
NET ASSETS		63,747	-	(208)	63,539
EQUITY					
Contributed equity	4	49,064	-	(34)	49,030
Reserves		9,353	-	-	9,353
Accumulated losses	5	5,330	-	(174)	5,156
TOTAL EQUITY		63,747	-	(208)	63,539

The cash and cash equivalents balance above does not account for working capital movements over the period from 1 July 2018 until completion. The cash and cash equivalents balance of MMJ at 31 August 2018 is approximately \$404,000.

The pro-forma statement of financial position after the re-compliance and offer is as per the statement of financial position before the re-compliance and offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3 and the prior year financial information set out in Appendix 4, Appendix 5, Appendix 6 and Appendix 7.

APPENDIX 3
MMJ PHYTOTECH LIMITED
NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

a) Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal group's held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

Rounding off of amounts

The Company is of a kind referred to in ASIC Class Order 2016/191, dated 24 March 2016 and in accordance with that Class Order, amounts in the Investigative Accountants Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

b) Going Concern

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

c) Reporting Basis and Conventions

The report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

d) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by MMJ PhytoTech Limited at the end of the reporting period. A controlled entity is any entity over which MMJ PhytoTech Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated statement of financial position and statement of financial performance. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

e) Investments

As of 1 April 2018 the Company has been classified as an Investment Entity in accordance with AASB 10 Consolidated Financial Statements whose business purpose is to invest funds solely for returns via capital appreciation and/or investment returns. As the Company has been classified as an Investment Entity and recognises its investments as 'held for trading', the portfolio investments have been accounted for at fair value through profit or loss and shown as Financial Assets in the Statement of Financial Position.

Investments held at fair value through profit or loss are initially recognised at fair value. Transaction costs related to acquisitions are expensed to the profit or loss immediately. Subsequent to initial recognition, all financial instruments held at fair value are accounted for at fair value, with changes to such values recognised in the profit or loss.

Investments are recognised on a settlement date basis.

The entity is exempt from consolidating underlying investees it controls in accordance with AASB 10 Consolidated Financial Statements and is exempt from accounting for associates in accordance with AASB 128 Investments in Associates and Joint Ventures.

f) Foreign currency translation

The financial statements are presented in Australian dollars, which is MMJ PhytoTech Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

g) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a weighted average basis. Cost comprises direct materials and delivery costs, direct labour and import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

h) Biological assets

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realisable value.

i) Property, plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

The depreciable amount of all fixed assets is depreciated on a declining balance basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

Plant and equipment: 20%

Office equipment: 20%

Buildings: 4%

Leasehold improvements: Straight line over lease term

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive

income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

j) Intangibles

Other intangible assets that are acquired by the Group and have finite useful lives are measured at costs less accumulated amortisation and accumulated impairment losses.

Other intangible assets are amortised on a straight-line basis to the profit or loss over their estimated useful lives, from the date that they are available for use. As the other intangible asset is a License and albeit that the License may need to be renewed periodically, it is expected that the License will effectively have an indefinite life.

k) Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i) the consideration transferred;
- ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

l) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

m) Share based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

n) Fair Value of Assets and Liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs).

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

o) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. settlement date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

i. Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

ii. Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iii. Financial liabilities

Financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

p) Impairment

A financial asset (or a group of financial assets) at amortised cost or cost is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

Impairment losses are recognised in the profit or loss immediately.

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, to the asset's carrying amount. Any excess of the carrying amount over its recoverable amount is recognised immediately in the profit or loss.

q) De-recognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

r) Income Tax

The income tax expense or benefit (revenue) for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

s) Cash and Cash Equivalents

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with financial institutions, other short-term highly liquid deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

t) Trade and other receivables

Trade receivables are recognised as the amount receivable and are due for settlement no more than 90 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off against the receivable directly unless a provision for impairment has previously been recognised.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Loans granted are recognised at the amount of consideration given or the cost of services provided to be reimbursed.

u) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of GST.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

v) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

w) **Trade and Other Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 30 days of recognition.

x) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

y) **Contributed Equity**

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

z) **Accounting estimates and judgements**

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly

or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Loss of control for HV1

HV1 completed a capital raising on 31 January 2018 and announced a mandatory conversion of all outstanding debentures on 26 February 2018, resulting in MMJ's shareholding being diluted to approximately 36% of HV1's total outstanding shares. Concurrently on 26 February 2018, Andreas Gedeon resigned from the MMJ Board. Management concluded these events resulted in the loss of control of HV1, as MMJ no longer has majority ownership or majority board representation over the operations of HV1. Management have adopted 28 February 2018 as the loss of control date of HV1.

MMJ's interest in HV1 was accounted for as follows:

- Until 28 February 2018 as a consolidated business;
- From 28 February 2018 up to 1 April 2018 as an equity accounted entity; and
- From 1 April 2018, at which time MMJ was classified as an Investment Entity, as a financial asset held for trading (refer note 2 for accounting policy of investments as an Investment Entity).

Management have further assessed that the loss of control of HV1 does not result in a discontinued operations on the basis that the Company continues to hold cannabis sector investments, including HV1, and is actively investing in the cannabis sector.

Investment Entity

As of 1 April 2018, MMJ's focus and strategies were transformed to that of an investment company with a focus on a diversified portfolio of cannabis sector investments for returns from capital appreciation, investment income, or both. The Company measures and evaluates the performance of substantially all of its investments on fair value basis.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

	Audited 30-Jun-18	Pro-forma after Offer
NOTE 2 CASH AND CASH EQUIVALENTS	\$'000	\$'000
Cash and cash equivalents	1,347	1,756
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance of MMJ at 30 June 2018		1,347
<i>Subsequent events:</i>		
Investment in Embark Health Inc		(154)
Investment in BevCanna		(257)
		(411)
<i>Pro-forma adjustments:</i>		
Cash consideration from the sale of PTL to Harvest One Cannabis		1,028
Issue of Shares		1
Costs of re-compliance		(209)
		820
Pro-forma Balance		1,756

	Audited 30-Jun-18	Pro-forma after Offer
NOTE 3 FINANCIAL ASSETS HELD FOR TRADING	\$'000	\$'000
Financial assets held for trading	63,091	62,474
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance of MMJ at 30 June 2018		63,091
<i>Subsequent events:</i>		
Investment in Embark Health Inc		154
Investment in BevCanna		257
		411
<i>Pro-forma adjustments:</i>		
Sale of PTL to Harvest One Cannabis		(8,225)
Fair value of Harvest One Cannabis shares received as consideration on the sale of PTL		7,197
		(1,028)
Pro-forma Balance		62,474

	Audited 30-Jun-18 \$'000	Pro-forma after Offer \$'000
NOTE 4 CONTRIBUTED EQUITY		
Contributed equity	49,064	49,030
	Number of shares	
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance of MMJ at 30 June 2018	230,148,985	49,064
	230,148,985	49,064
<i>Pro-forma adjustments:</i>		
Issue of Shares	2,000	1
Costs relating to the capital raise	-	(35)
	2,000	(34)
Pro-forma Balance	230,150,985	49,030

	Audited 30-Jun-18 \$'000	Pro-forma after Offer \$'000
NOTE 5 ACCUMULATED LOSSES		
Accumulated Losses	5,330	5,156
<i>Adjustments to arise at the pro-forma balance:</i>		
Audited balance of MMJ at 30 June 2018		5,330
		5,330
<i>Pro-forma adjustments:</i>		
Costs of re-compliance		(174)
		(174)
Pro-forma Balance		5,156

The Company currently has the following performance rights on issue:

Financial Instrument	Exercise price (\$)	Number	Vesting date
Class D Performance Rights	nil	9,000,000	22-Jan-19
Class H Performance Rights	nil	2,833,333	26-Feb-22
Class I Performance Rights	nil	2,833,334	26-Feb-22
Class J Performance Rights	nil	2,833,334	26-Feb-22
Total		17,500,000	

The Company currently has the following options on issue:

Financial Instrument	Exercise price (\$)	Number	Expiry date
Class C Options	0.31	350,000	6-May-19
Class G Options	0.36	2,537,500	1-Mar-19
Class H Options	0.27	620,891	31-Jan-20
Class J Options	0.24	3,000,000	1-Sep-20
Class K Options	0.35	1,500,000	31-Oct-21
Total		8,008,391	

We note that the Company has also agreed to issue 1 million options to Mr Douglas Halley with an exercise price equal to 135% of the five-day volume weighted average price ('VWAP') at the date of issue, expiring three years from the date of issue. Given that the Company and the Director have a shared understanding of the arrangement and the Director has rendered services in respect of the grant prior to 30 June 2018, the options are reflected in the audited accounts for the year ended 30 June 2018.

NOTE 6: NEW AASB ACCOUNTING STANDARDS - AASB 16: LEASES, AASB 9: FINANCIAL INSTRUMENTS AND AASB 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

We have assessed the impact of new AASB standards on the Historical Financial Information and Pro-Forma Financial Information and do not consider them to have a material impact on the financial information presented in our Report.

NOTE 7: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

NOTE 8: COMMITMENTS AND CONTINGENCIES

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

APPENDIX 4

MMJ PHYTOTECH LIMITED

CONSOLIDATED HISTORICAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-18 \$'000	Audited for the year ended 30-Jun-17 \$'000	Audited for the year ended 30-Jun-16 \$'000
Revenue			
Interest received	225	46	37
Net loss on revaluation of financial assets held for trading	(13,275)	-	-
Realised gain on disposal of financial assets held for trading	3,271	-	-
Sales revenue	211	76	255
Total revenue	19,617	(607)	292
Other income	29,185	(729)	-
Expenses			
Cost of sales	(724)	(102)	(331)
Gain/(Loss) on contingent deferred consideration shares	-	-	812
Employee and director related expenses	(2,795)	(2,171)	(2,070)
Depreciation and amortisation expense	(709)	(1,101)	(68)
Finance costs	(1,494)	(82)	(56)
Marketing and investor relations	(509)	(639)	(429)
Impairment of investment in other entities	-	-	(209)
Acquisition introduction fee expense	-	-	(620)
Administration expenses	(1,885)	(2,121)	(1,326)
Consultancy and legal expenses	(939)	(1,319)	(713)
Research and development expense	(232)	(518)	(503)
Compliance and regulatory expenses	(339)	(257)	(335)
Equity based payments expense	(7,937)	(3,143)	(1,224)
Net foreign exchange loss	(80)	(545)	(19)
Impairment of inventory	(213)	(735)	-
Impairment of intangible assets	-	-	(7,876)
Selling and distribution expenses	-	-	(24)
Listing fee expenses	-	(804)	-
Loss on disposal of investment	(105)	-	-
Profit/(Loss) before income tax expense	1,656	(14,144)	(14,699)
Income tax expense	(467)	-	-
Profit/(Loss) after income tax expense for the year	1,189	(14,144)	(14,699)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation	(503)	261	222
Total comprehensive loss for the period	686	(13,883)	(14,477)

APPENDIX 5

MMJ PHYTOTECH LIMITED

CONSOLIDATED HISTORICAL STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	Audited as at 30-Jun-18 \$'000	Audited as at 30-Jun-17 \$'000	Audited as at 30-Jun-16 \$'000
CURRENT ASSETS			
Cash and cash equivalents	1,347	23,801	2,951
Trade and other receivables	110	434	398
Financial assets held for trading	63,091	-	-
Inventories	-	1,242	1,450
Biological assets	-	81	-
Loan to Directors	-	-	104
TOTAL CURRENT ASSETS	64,548	25,558	4,903
NON-CURRENT ASSETS			
Property, plant and equipment	55	8,252	6,575
Intangibles	-	8,661	8,932
Goodwill	-	4,735	4,822
Deferred tax assets	433	-	-
Other	-	37	35
TOTAL NON-CURRENT ASSETS	488	21,685	20,364
TOTAL ASSETS	65,036	47,243	25,267
CURRENT LIABILITIES			
Trade and other payables	390	1,132	614
Borrowings	-	-	92
Deferred consideration	-	1,992	2,083
TOTAL CURRENT LIABILITIES	390	3,124	2,789
NON-CURRENT LIABILITIES			
Borrowings	-	-	398
Deferred tax	899	2,244	2,244
Contingent consideration	-	-	1,588
TOTAL NON-CURRENT LIABILITIES	899	2,244	4,230
TOTAL LIABILITIES	1,289	5,368	7,019
NET ASSETS	63,747	41,875	18,248
EQUITY			
Contributed equity	49,064	44,954	32,706
Reserves	9,353	17,417	5,123
Accumulated losses	5,330	(32,306)	(19,581)
Non-controlling interest	-	11,810	-
TOTAL EQUITY	63,747	41,875	18,248

APPENDIX 6

MMJ PHYTOTECH LIMITED

CONSOLIDATED HISTORICAL STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity	Contributed Equity \$'000	Other Reserves \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Losses \$'000	Non-Controlling Interest \$'000	Total \$'000
Balance at 1 July 2015	5,828	2,628	20	(4,882)	-	3,594
Loss after income tax	-	-	-	(14,699)	-	(14,699)
Other comprehensive income	-	-	222	-	-	222
Contribution of equity	26,878	-	-	-	-	26,878
Share-based payments	-	2,253	-	-	-	2,253
Balance at 30 June 2016	32,706	4,881	242	(19,581)	-	18,248
Balance at 1 July 2016	32,706	4,881	242	(19,581)	-	18,248
Loss after income tax	-	-	-	(12,725)	(1,419)	(14,144)
Other comprehensive income	-	-	508	-	(247)	261
Contribution of equity	11,945	-	-	-	-	11,945
Conversion of performance rights	303	(303)	-	-	-	-
Share-based payments	-	1,689	-	-	-	1,689
Harvest One option reserve	-	2,760	-	-	-	2,760
Transaction with non-controlling interest	-	-	(247)	-	13,476	13,229
Net gain on Harvest One Transaction	-	7,887	-	-	-	7,887
Balance at 30 June 2017	44,954	16,914	503	(32,306)	11,810	41,875
Balance at 1 July 2017	44,954	16,914	503	(32,306)	11,810	41,875
Profit/(loss) after income tax	-	-	(503)	5,144	(3,954)	687
Exercise of options	1,941	-	-	-	-	1,941
Conversion of performance rights	2,169	(2,169)	-	-	-	-
Cancellation of performance rights	-	(815)	-	-	-	(815)
Movement due to deconsolidation of Harvest One and PTL	-	(32,492)	-	32,492	(61,776)	(61,776)
Share-based payments	-	8,760	-	-	-	8,760
Transaction with non-controlling interest	-	19,155	-	-	53,920	73,075
Balance at 30 June 2018	49,064	9,353	-	5,330	-	63,747

APPENDIX 7

MMJ PHYTOTECH LIMITED

CONSOLIDATED HISTORICAL STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows	Audited for the year ended 30-Jun-18 \$'000	Audited for the year ended 30-Jun-17 \$'000	Audited for the year ended 30-Jun-16 \$'000
Cash flows from operating activities:			
Receipts from customers	65	35	255
Interest received	162	47	37
Payments to suppliers and employees	(8,340)	(7,571)	(6,705)
Payments to research expenses	-	-	(481)
Payments to patent expenses	-	-	(22)
Interest paid	(154)	(82)	(56)
Net cash outflows from operating activities	(8,267)	(7,571)	(6,972)
Cash flows from investing activities:			
Payments for property, plant and equipment	(1,764)	(3,297)	(2,995)
Payments for financial assets held for trading	(14,016)	-	-
Payments for intangible assets	(10)	-	-
Proceeds from disposal of investments	6,073	-	-
Decrease in cash holding due to loss on control in harvest One and PTL	(81,774)	-	-
Loan to Director	-	-	(104)
Cash acquired from business combination	-	-	31
Debenture paid/received	-	-	288
Investment in other entities	-	-	(209)
Other	334	-	-
Net cash outflows from investing activities	(91,157)	(3,297)	(2,989)
Cash flows from financing activities:			
Proceeds from the issue of shares	-	4,000	11,800
Costs in relation to share issue	-	(259)	(704)
Proceeds from Harvest One units offering	37,869	-	-
Proceeds received on exercise of options	2,180	5,796	-
Proceeds from exercise of warrants	18,362	-	-
Proceeds from issue of convertible notes	19,130	-	-
Transactions with non-controlling interests	-	22,671	-
Repayment of borrowings	32	(490)	(94)
Net cash inflows from financing activities	77,573	31,718	11,002
Net increase/(decrease) in cash held	(21,851)	20,850	1,041
Cash and cash equivalents at beginning of the year	23,801	2,951	1,910
Effects of exchange rate changes on cash and cash equivalents	(603)	-	-
Cash and cash equivalents at the end of the year	1,347	23,801	2,951