

MMJ Group Holdings Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:

MMJ Group Holdings Limited
 ABN: 91 601 236 417

Reporting period:

For the half-year ended 31 December 2020 (the Current Financial Period) and 31 December 2019

			31-Dec-20	31-Dec-19
			\$'000	\$'000
Revenues from ordinary activities	up	(182%)	192	(234)
Loss from ordinary activities after tax attributable to the owners of MMJ Group Holdings Limited	up	(93%)	(2,186)	(31,131)
Loss for the half-year attributable to the owners of MMJ Group Holdings Limited	up	(93%)	(2,186)	(31,131)

The information attached in this Appendix 4D is lodged in compliance with ASX Listing Rule 4.2B

2. Results for announcement to the market

Dividends

There were no dividends paid, recommended or declared during the current or previous Financial Period.

Comments

Refer attached Directors Report for review of operations and change in net assets.

The information should be read in conjunction with the most recent annual financial report.

3. Results for announcement to the market

The overview of the Company's operations is contained in the attached Directors' Report.

4. Net tangible assets

The net tangible asset backing per share is detailed as follows:

	Reporting period	Previous period
	31-Dec-20	30-Jun-20
	Cents	Cents
Net tangible assets per ordinary security	17.08	19.24

5. Control gained over entities

Not applicable.

6. Loss of control over entities

There was no loss of control over any entities during the current Financial Period.

7. Dividends

a) Current period.

There were no dividends paid, recommended or declared during the current Financial Period.

b) Previous period.

There were no dividends paid, recommended or declared during the previous Financial Period.

8. Dividend reinvestment plans

Not applicable.

9. Details of associates and joint venture entities

Not applicable.

10. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

11. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by auditors, BDO Audit (WA) Pty Ltd, and the review report is attached as part of the Half-Year Financial Report.

12. Attachments

Details of attachments (if any):

The Half-Year Financial Report of MMJ Group Holdings Limited for the half-year ended 31 December 2020 is attached.

Date: 25 February 2021
Jim Hallam
Company Secretary

MMJ Group Holdings Limited

ABN 91 601 236 417

Half-Year Financial Report - 31 December 2020

Corporate directory

Directors	Mr Peter Wall (Non-Executive Chairman)
	Mr Winton Willesee (Non-Executive Director)
	Mr Doug Halley (Non-Executive Director)
	Mr Michael Curtis (Non-Executive Director)
Chief Financial Officer and Company Secretary	Mr Jim Hallam
Registered office and principal place of business	Suite 518, Level 5, 165-167 Phillip Street, Sydney NSW 2000
	Telephone: +61 2 8098 0819
	Facsimile: +61 2 8080 8315
Share register	Automatic Registry Services
	Level 2
	267 St Georges Terrace
	Perth WA 6000
	Telephone: +61 1300 288 664
Auditor	BDO Audit (WA) Pty Ltd
	38 Station Street
	Subiaco WA 6008
Stock exchange listing	MMJ Group Holdings Limited securities are listed on the Australian Securities Exchange (ASX code: MMJ).
Website	www.mmjgh.com.au

MMJ Group Holdings Limited

Directors' Report

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of MMJ Group Holdings Limited (referred to hereafter as MMJ, the 'Company' or 'parent entity') and the entities it controlled (the 'Group') at the end of, or during, the half-year period ended 31 December 2020 ("Financial Period").

Directors

The following persons were Directors of MMJ Group Holdings Limited during the Financial Period and up to the date of this report, unless otherwise stated:

Mr Peter Wall (Non-Executive Chairman)
Mr Winton Willesee (Non-Executive Director)
Mr Doug Halley (Non-Executive Director)
Mr Michael Curtis (Non-Executive Director)

Principal activities

MMJ's strategy is that of an investment company whose core business is holding minority investments along the cannabis value-chain in Australia, Canada and Europe. MMJ may also invest up to 25% of its total consolidated assets in sectors other than cannabis such as (but not limited to) natural resources, pharmaceuticals and software services technology. MMJ seeks investment returns from capital appreciation, investment income and interest income. The Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

The operating revenues, expenses and cashflows of the MMJ consolidated entity for the Financial Period reflect the operations of MMJ which operates as an investment entity for financial reporting purposes comprising:

- a) Revenue and other income – include realised and unrealised gains/losses and interest income from investments.
- b) Operating expenses – the investment management and administration expenses required to operate as an investment company listed on the Australian Stock Exchange.

Dividends

On 7 June 2019, MMJ announced its intention to distribute 20% of its annual profit after tax after excluding unrealised gains and losses on investments (Annual Profit). The dividend would be payable within three months of each half year after the completion of the half year and annual financial statements. It is MMJ's intention that the dividend would benefit from available franking credits held by MMJ.

The Company had a negative Annual Profit for the half year (i.e. excluding after tax impact of unrealised gains and losses on investments) and accordingly a dividend has not been declared in respect of the Financial Period.

There were no dividends paid, recommended or declared during the current or previous Financial Period.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$2.2m (31 December 2019: \$31.1m). The loss for the period included the following material gains and losses on investments¹:

Significant gains/(losses) from investments	31-Dec-20
	\$000
Investment in Harvest One Cannabis Inc.	(\$2,782)
Investment in Southern Cannabis Holdings	\$1,596
Investment in Volero Inc.	(\$1,309)
Investment in Weed Me Inc	\$1,752
Investment in WeedMD	(\$925)

¹ Includes unrealised and realised gains and losses, interest and dividend income as applicable

Operating overheads for the Financial Period were \$0.67m² down from \$0.86m from the previous Financial Period.

The net assets of the consolidated entity decreased from \$44.2m as at 30 June 2020 to \$42.1m as at 31 December 2020. The primary reason for the decrease in net assets was unrealised losses on the Company's investment portfolio during the period.

During the Financial Period, the net tangible asset backing per share decreased from 19.24 cents as at 30 June 2020 to 17.08 cents as at 31 December 2020 on which day the share price closed at 12.5 cents. The net tangible assets of the consolidated entity decreased primarily as a result of unrealised losses on the Company's investment portfolio during the period.

a) Significant Acquisitions

During the Financial Period, the Company did not acquire any material investments.

b) Significant Divestment of Investments

During the Financial Period, the Company made the following material divestments:

- i. Harvest One Inc - The Company was repaid its secured loan for net proceeds of CAD2m.

Coronavirus (COVID-19) pandemic

The Coronavirus (COVID-19) pandemic up to 31 December 2020 has not had a material financial impact for the controlled entity. The internal operations of MMJ have not been significantly impacted and we have not observed a material adverse impact on the operations of our material investments or any consequential material specific impact from COVID-19 on MMJ's valuation and/or any impact on recoverability of loans advanced during the period still receivable as at 31 December 2020.

The increased volatility in the Canadian equities market has limited the ability of cannabis investments in general to raise new funds and move from private to listed status.

Financial Position

The net tangible assets of the consolidated entity decreased by \$5.0m during the Financial Period as a primarily result of unrealised losses of \$3m from investments and recognition of a deferred tax asset of \$2.3m in respect of future recovery of tax paid in the financial year ended 30 June 2019 and now recoverable under the tax loss carry back provisions announced on 6 October 2020 by the Federal government. Companies which paid tax in respect of financial year ended 30 June 2019 (MMJ paid \$5.9m) can offset the tax paid against tax losses in the 2019-20 and 2020-21 income years.

Cash holdings for the consolidated entity increased by \$2.8m to \$3.8m primarily as a result of the repayment of loan receivables.

Significant changes in the state of affairs

The principal continuing activities of the consolidated entity consisted of a global cannabis investment company with a portfolio of minority investments, rather than having control over its investments.

The Company's shareholders approved at its Annual General Meeting on 30 November 2020 the broadening of its existing investment mandate to include strategic investments in sectors outside of cannabis, such as but not limited to, natural resources, pharmaceuticals and software services technology, which will comprise no more than 25% of the Company's total consolidated assets at the time the investments are made (**Diversification**).

The Diversification will allow the Company to:

- a) expand its existing investment portfolio and invest in securities with a view to deliver capital growth for Shareholders; and
- b) create greater opportunities for its Shareholders to benefit and participate in the growth of a diversified group of minority investments, in addition to the Company's existing investments.

² Excludes non-cash share-based payments expense.

The Diversification is an internal process which will broaden the Company's existing investment strategy and is encompassed in an expanded management agreement with Parallax Ventures (formerly named Embark Ventures).

There were no other significant changes in the state of affairs of the consolidated entity during the Financial Period.

Matters subsequent to the end of the Financial Period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while the consolidated entity has not been able to identify a material impact on its operations up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity. The directors believe that there is potential for a material financial impact of the Coronavirus (COVID-19) pandemic on consolidated entity/group if it causes material changes in equity markets and the demand for cannabis products within Canada. The directors are not in a position to quantify such impact on the value of its investment or its likelihood.

Environmental regulation

The operations of the Group are not subject to any particular and significant environmental regulations under a law of the Commonwealth or state. There have been no known significant breaches of any other environmental requirement.

Rounding of amounts

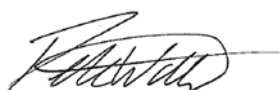
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' Report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Peter Wall
Non-executive Chairman
25 February 2021

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF MMJ GROUP HOLDINGS LIMITED

As lead auditor for the review of MMJ Group Holdings Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of MMJ Group Holdings Limited and the entity it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 25 February 2021

MMJ Group Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the Financial Period

	Note	31-Dec-20 \$000	31-Dec-19 \$000
Revenue			
Interest income		342	285
Net foreign exchange gain/(loss)		(70)	254
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	4	(80)	(773)
Total revenue		<u>192</u>	<u>(234)</u>
Other income			
Changes in the fair value of equity investments at fair value through profit and loss	4	(3,084)	(31,470)
Other income		(3,084)	(31,470)
Income from operating activities		<u>(2,892)</u>	<u>(31,704)</u>
Expenses			
Administration expenses		(248)	(301)
Asset management expenses		(180)	(250)
Depreciation and amortisation expense		(5)	(5)
Employee and director related expenses		(237)	(302)
Operating expenses		(670)	(859)
Equity based payments reversal/(expense)		(22)	(325)
Total expenses		<u>(692)</u>	<u>(1,184)</u>
Profit/(Loss) before income tax		(3,584)	(32,887)
Income tax (expense)/benefit		1,398	1,757
Profit/(Loss) after income tax for the Financial Period		<u>(2,186)</u>	<u>(31,131)</u>
Other comprehensive income			
		0	0
Other comprehensive income for the Financial Period, net of tax		0	0
Total comprehensive profit/(loss) for the Financial Period		<u>(2,186)</u>	<u>(31,131)</u>
Profit/(Loss) for the Financial Period is attributable to:			
Owners of MMJ Group Holdings Limited		(2,186)	(31,131)
		<u>(2,186)</u>	<u>(31,131)</u>
Total comprehensive income/(loss) for the Financial Period is attributable to:			
Owners of MMJ Group Holdings Limited		(2,186)	(31,131)
		<u>(2,186)</u>	<u>(31,131)</u>
		Cents	Cents
Basic earnings/(loss) per share		(0.95)	(13.79)
Diluted earnings/(loss) per share		(0.95)	(13.79)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

MMJ Group Holdings Limited
Consolidated statement of financial position
As at 31 December 2020

		31-Dec-20	30-Jun-20
	Note	\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents		3,817	1,042
Trade and other receivables		75	55
Financial assets at fair value through profit or loss	4	37,097	41,244
Total Current Assets		40,989	42,341
NON-CURRENT ASSETS			
Property, plant and equipment		31	36
Financial assets at fair value through profit or loss	4	1,000	3,241
Deferred tax assets		2,807	0
Total Non-Current Assets		3,837	3,277
TOTAL ASSETS		44,826	45,618
CURRENT LIABILITIES			
Trade and other payables		128	163
Total Current Liabilities		128	163
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,615	1,207
Total Non-Current Liabilities		2,615	1,207
TOTAL LIABILITIES		2,743	1,370
NET ASSETS		42,083	44,248
EQUITY			
Contributed equity	5	51,786	51,786
Reserves	6	923	901
Retained Earnings/(Accumulated Losses)		(10,625)	(8,439)
TOTAL EQUITY		42,083	44,248

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

MMJ Group Holdings Limited
Consolidated statement of changes in equity
For the Financial Period

		Contributed Equity \$'000	Other Reserves \$'000	(Accumulated Loss)/ Retained Earnings \$'000	Total Equity \$'000
Consolidated					
Balance at	1-Jul-20	51,786	901	(8,439)	44,248¹
Loss after income tax expense for Financial Period		0	0	(2,186)	(2,186)
Other comprehensive income for the Financial Period, net of tax		0	0	0	0
Total comprehensive income for the Financial Period		0	0	(2,186)	(2,186)
Transactions with owners in their capacity as owners:					
Share-based payment		0	22	0	22
		0	22	0	22
Balance at	31-Dec-20	51,786	923	(10,625)	42,083

		Contributed Equity \$'000	Other Reserves \$'000	(Accumulated Loss)/ Retained Earnings \$'000	Total Equity \$'000
Consolidated					
Balance at	1-Jul-19	52,936	1,057	31,645	85,638
Loss after income tax expense for the half year		0	0	(31,131)	(31,131)
Other comprehensive income for the half year, net of tax		0	0	0	0
Total comprehensive income for the half year		0	0	(31,131)	(31,131)
Transactions with owners in their capacity as owners:					
Lapse of options		0	(233)	0	(233)
cancellation of shares acquired through on market buyback		(1,502)	0	0	(1,502)
Cancelled performance rights		0	(68)	0	(68)
Share-based payment		0	624	0	624
Balance at	31-Dec-19	51,434	1,380	514	53,329

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

MMJ Group Holdings Limited
Consolidated statement of cash flows
For the Financial Period

	31-Dec-20	31-Dec-19
	\$'000	\$'000
Cash flows from operating activities		
Payments to employees & suppliers	(670)	(937)
Interest received	826	150
Payments for financial assets at FVPL	(723)	(16,832)
Proceeds from disposal of financial assets at FVPL	3,443	811
Net cash (used in)/from operating activities	2,876	(16,807)
Cash flows from investing activities		
Other	0	0
Net cash used in investing activities	0	0
Cash flows from financing activities		
MMJ share buyback	0	(1,502)
Net cash from financing activities	0	(1,502)
Net increase/(decrease) in cash & cash equivalents	2,876	(18,309)
Cash at the beginning of the year	1,042	26,392
Effects of exchange rate changes on cash and cash equivalents	(101)	196
Cash & cash equivalents at end of year	3,817	8,279

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to financial statements

1. General information

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2021. The directors have the power to amend and reissue the financial statements.

2. Basis of preparation of half year report

The interim financial report for the half-year reporting period ended 31 December 2020 (the Financial Period) has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The interim report does not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards

Changes in accounting policies

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the Financial Period. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

3. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of MMJ Group Holdings Limited. The Group has determined that it has one operating segment, being the investing operations, and results are analysed as a whole by the CODM, being the Board of Directors. Consequently, revenue, profit, net assets and total assets for the operating segment are reflected in this financial report.

Accounting policy for operating segments

Operating segments are presented using the "management approach", where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

4. Current assets - financial assets held at Fair Value through Profit and Loss

Financial assets held at Fair Value through Profit or Loss

	31-Dec-20 \$000	30-Jun-20 \$000
Financial assets at fair value through profit or loss		
Equity financial assets - current		
Investment in Axiomm Technologies	0	773
Investment in Embark Health Inc	13,184	13,151
Investment in Weed Me Inc	6,706	4,933
Investment in Southern Cannabis Holdings	3,727	2,109
Investment in Harvest One Cannabis Inc.	4,121	6,590
Investment in Martha Jane Medical Limited	501	450
Investment in Vitagenne Inc.	361	801
Investment in Hemple	0	100
Investment in Volero Inc.	0	1,309
Investment in Bespoke	3,133	3,491
Investment in J Supply	202	191
Investment in Sequoya	404	380
Investment in Parallax Ventures Inc.	0	0
	<u>32,340</u>	<u>34,276</u>
Convertible and loan financial assets - current		
Investment in Weed Me Inc	0	1,090
Investment in Harvest One Cannabis Inc.	0	2,279
Investment in Hemple	0	200
Investment in Sequoya	2,546	0
Investment in WeedMD	2,212	3,400
	<u>4,758</u>	<u>6,968</u>
Financial assets at fair value through profit or loss - current	<u>37,097</u>	<u>41,244</u>
Convertible financial assets - non-current		
Investment in Sequoya	1,000	3,241
	<u>1,000</u>	<u>3,241</u>
Financial assets at fair value through profit or loss - total	<u>38,097</u>	<u>44,485</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous Financial Period are set out below:

	31-Dec-20 \$000	31-Dec-19 \$000
Opening fair value	44,485	69,093
Additions - financial assets at fair value through profit and loss	1,415	16,832
Changes in the fair value of equity investments at fair value through profit and loss	(3,084)	(31,470)
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	(151)	(773)
Accrued interest	(366)	132
Disposal of financial assets at fair value through profit and loss	(4,202)	(762)
Closing fair value	<u>38,097</u>	<u>53,052</u>

The following table presents the changes in level 3 instruments for the Financial Period:

		Unlisted equity securities \$000	Convertible debenture receivable \$000	Total \$000
Opening balance	1-Jul-20	28,672	6,810	35,482
Disposals		(792)	(3,343)	(4,135)
Acquisitions		692	723	1,415
Net foreign exchange gain/(loss) on disposal of loan investments at fair value through profit and loss		0	(69)	(69)
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss		(80)	0	(80)
Accrued interest		0	(367)	(367)
Changes in the fair value of equity investments at fair value through profit and loss		170	(208)	(38)
Closing balance	31-Dec-20	28,662	3,546	32,208

Refer for further information on fair value measurement.

There were no transfers between the levels of the fair value hierarchy in the Financial Period. There were also no material changes made during the Financial Period to any of the valuation techniques applied as of 31 December 2020.

Fair Value Measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed 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.

Level 3: Unobservable inputs for the asset or liability.

Fair Value Measurement		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$000
Financial assets held at fair value through profit and loss					
Listed investments		3,677	0	0	3,677
Unlisted investments		0	0	28,662	28,662
Convertible debenture receivable		2,212	0	3,546	5,758
Total assets	31-Dec-20	5,889	0	32,208	38,097

Fair Value Measurement		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$000
Financial assets held at fair value through profit and loss					
Listed investments		5,603	0	0	5,603
Unlisted investments		0	0	28,672	28,672
Convertible debenture receivable		3,400	0	6,810	10,210
Total assets	30-Jun-20	9,003	0	35,482	44,485

There were no transfers between the levels of the fair value hierarchy in the Financial Period.

Level 3 financial assets at fair value through profit or loss unobservable inputs and sensitivity are as follows:

Description	Valuation Methodology	Fair Value of Instruments (\$'000)	Input	Sensitivity	Sensitivity Impact (\$'000)
Unlisted shares/stock	Issue price of shares from latest significant capital raising or at arm's length transaction of instruments held	12,682	Recent share price	10% (10%)	1,268 (1,268)
	and/or EV/Rev multiple: For the Financial Period, when utilising the Enterprise Value to Revenue Multiple, revenue for the year ended 31 December 2020 has been used with a multiple of 6.5x which has been determined from a peer list of companies	10,434	Revenue	10% (10%)	1,043 (1,043)
	and/or assessment against relevant market indices	1,106	Market indices	5% (5%)	(36) (43)
Unlisted warrants/options	Unlisted warrants/options which are not actively traded are valued using a Black-Scholes valuation methodology.	4,440	Share Price	10% (10%)	306 (301)
			Volatility	5% (5%)	200 (201)
Unlisted convertible debentures and loan instruments	Convertible debentures and loan instruments are valued using an assessment of the capacity of the investee to repay principal and interest	3,546	Market interest rate	2% (2%)	(70) 72
	Total:	32,208			

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value in active market (Level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The Company values its investments in accordance with the accounting policies set out in note 2 of the financial statements.

For the majority of its investments, the Company relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Company is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Company holds derivatives with offsetting market risks, it uses midmarket prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of a recent share price from capital raising and option pricing models that provides a reliable estimate of prices obtained in actual market transactions.

For option pricing models, inputs are based on available market data other than underlying share price of unlisted equity investments, such as expected volatility and risk-free rates. Fair values for unquoted equity investments are estimated, using the latest share price from capital raising or arm's length transaction, or in the absence of a recent transaction, an enterprise value to revenue multiple or benchmarked to market movements indicated relevant market indices.

The COVID-19 pandemic continued to create significant social and economic upheaval in Financial Period, causing economic uncertainty across all industries globally, and resulting in extreme fluctuations in global share markets. The social, economic and financial impacts of COVID-19 are expected to continue in year ending 30 June 2021, and we expect further changes in government policy and regulations in order to address these impacts. All of these changes will impact the intention and/or ability of companies to generate returns and pay dividends, including those companies in which MMJ invests. There has been no measurable impact of the COVID-19 on investee valuations.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

5. Equity - issued capital

Movements in ordinary share capital

		31-Dec-20 Shares	30-Jun-20 Shares	31-Dec-20 \$'000	30-Jun-20 \$'000
Ordinary Shares - fully paid		<u>229,953,985</u>	<u>230,148,985</u>	<u>51,786</u>	<u>51,786</u>
Details	Date	Shares		\$'000	
Balance	31-Dec-19	224,398,985			51,434
Shares issued to digital marketing consultant	2-Apr-20	687,500		0.08	56
Share purchase plan net of transaction costs	2-Apr-20	4,867,500		0.08	296
Balance	30-Jun-20	<u>229,953,985</u>			<u>51,786</u>
No changes		0			0
Balance	31-Dec-20	<u>229,953,985</u>			<u>51,786</u>

Issue of new performance rights or options issued to Key Management Personnel

There were no new Performance Rights or Options issued to directors and other Key Management Personnel during the Financial Period.

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised for the period. No cumulative expense is recognised for awards that ultimately do not vest (in respect of non-market vesting conditions).

Ordinary Shares

Ordinary Shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the Shares held. The fully paid ordinary Shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Preference Shares

Preference Shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the Shares held, with priority over ordinary shareholders.

Preference Shares do not have any voting rights.

6. Equity - reserves

	31-Dec-20 \$'000	30-Jun-20 \$'000
Options reserve	841	825
Performance rights reserve	82	76
	<u>923</u>	<u>901</u>

The share-based payments expense of \$22,000 arose from the continued vesting of existing options and performance rights.

7. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous Financial Period.

8. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2020.

9. Commitments for expenditure

There have been no material changes in expenditure commitments as at 31 December 2020 since 30 June 2020.

10. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	31-Dec-20 %	30-Jun-20 %
PhytoTech Medical (UK) Pty Ltd	United Kingdom	100	100

11. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

12. Earnings per share

	31-Dec-2020 \$'000	31-Dec-2019 \$'000
Profit/(loss) after income tax	(2,186)	(31,131)
Profit/(loss) after income tax attributable to the owners of MMJ Group Holdings Limited	(2,186)	(31,131)
Weighted average number of ordinary Shares used in calculating basic earnings per share	229,953,985	225,729,299
Adjustments for calculation of diluted earnings per share:		
Options over ordinary Shares	0	0
Performance rights over ordinary Shares	0	0
Weighted average number of ordinary Shares used in calculating diluted earnings per share	229,953,985	225,729,299
Basic earnings per share	(0.95)	(13.79)
Diluted earnings per share	(0.95)	(13.79)

MMJ Group Holdings Limited
Directors' declaration
31 December 2020

In the Directors' opinion:

The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- a) the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Peter Wall
Non-executive Chairman

25 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MMJ Group Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of MMJ Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line. Above the signature, the letters 'BDO' are handwritten in a smaller, lighter script.

Phillip Murdoch

Director

Perth, 25 February 2021