

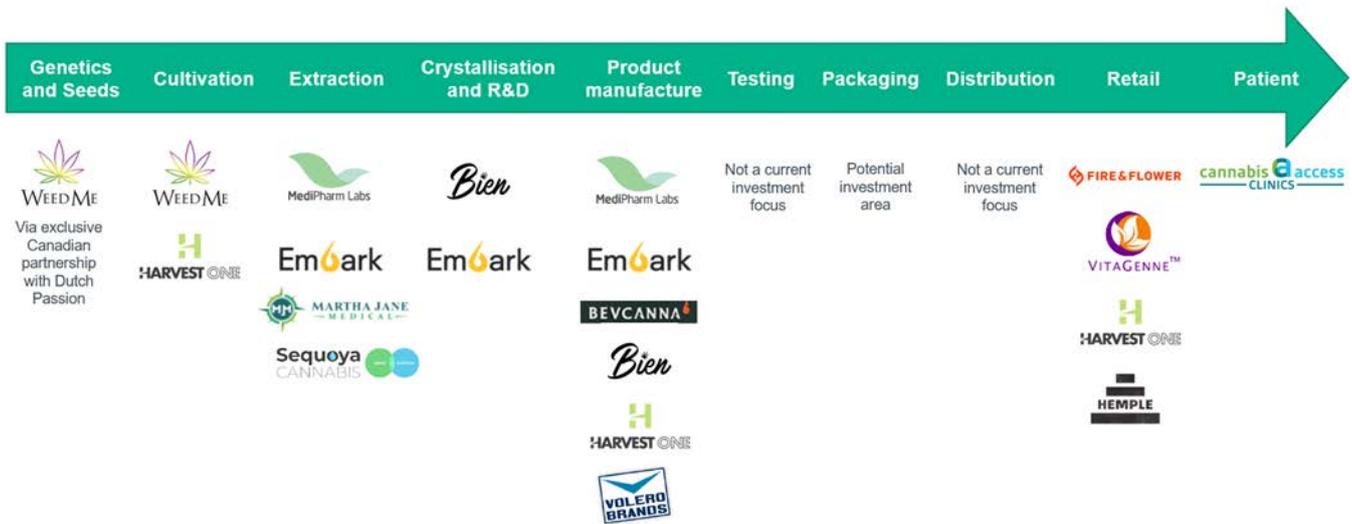


# Investment Portfolio Report

31 July 2019

## MMJ's Investments sit across most of the cannabis and hemp value chain

Capital is allocated to potential market leaders, consolidators and takeover targets



### Important Notice

This announcement contains reference to certain intentions, expectations, future plans, strategy and prospects of MMJ. Those intentions, expectations, future plans, strategy and prospects may or may not be achieved. They are based on certain assumptions, which may not be met or on which views may differ and may be affected by known and unknown risks. The performance and operations of MMJ may be influenced by a number of factors, many of which are outside the control of MMJ. All information is unaudited unless stated otherwise. No representation or warranty, express or implied, is made by MMJ, or any of its directors, officers, employees, advisers or agents that any intentions, expectations or plans will be achieved either totally or partially or that any particular rate of return will be achieved. Given the risks and uncertainties that may cause MMJ's actual future results, performance or achievements to be materially different from those expected, planned or intended, recipients should not place undue reliance on these intentions, expectations, future plans, strategy and prospects. MMJ does not warrant or represent that the actual results, performance or achievements will be as expected, planned or intended. Nothing in this material should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities. It does not include all available information and should not be used in isolation as a basis to invest in MMJ. This document does not constitute any part of any offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of any "US person" as defined in Regulation S under the US Securities Act of 1993 ("Securities Act"). MMJ's shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to any US person without being so registered or pursuant to an exemption from registration including an exemption for qualified institutional buyers. The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in a Company's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short-term.

## About MMJ

MMJ (ASX Code MMJ/OTC Code MMJF) is a global cannabis investment company (ABN 91 601 236 417).

MMJ owns a portfolio of minority investments and aims to invest across the full range of emerging cannabis-related sectors including healthcare, technology, infrastructure, logistics, processing, cultivation, equipment and retail.

MMJ is the only listed Australian investment company which offers the opportunity to Australian investors to invest in unlisted and listed cannabis-related businesses within Australia and offshore.

MMJ has a proven track record in acquiring and realising considerable value from its cannabis related investments.

Since 2015 MMJ has created a significant number of investment opportunities from its connections in Canada and Australia in the private investment sector and realised exits when it is to MMJ's benefit:

<b>16</b>	<b>3</b>	<b>4</b>	<b>8</b>
<b>Primary Acquisitions</b>	<b>Follow on investments<sup>1</sup></b>	<b>Private to public</b>	<b>Sale of investments</b>

MMJ Historical Performance - period ended 31 July 2019					
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	(12.7)%	(19.4)%	(12.7)%	21.0%	15.2%
Benchmark	(11.4)%	(21.3)%	(11.4)%	4.2%	(4.1)%
Out/(under) performance	(1.4)%	1.8%	(1.4)%	16.8%	19.3%

For MMJ's latest investor presentations and news, please visit: [www.mmjgh.com.au](http://www.mmjgh.com.au)

<b>General Investor Queries</b>	<b>Share Registry</b>
E: <a href="mailto:info@mmjgh.com.au">info@mmjgh.com.au</a>	Automic Registry Services
W: <a href="http://mmjgh.com.au">mmjgh.com.au</a>	P: 1300 288 664
	W: <a href="http://automic.com.au">automic.com.au</a>

## Performance Update

**Net Tangible Asset Value Per Share Before Tax<sup>2</sup> as at 31 July 2019**

**\$0.3381**

**Total Portfolio Including Cash as at 31 July 2019**

**\$83m**

**Investment Return Since Inception<sup>3</sup> as at 31 July 2019**

**15% pa**

Key Metrics as at 31 July 2019	AUD
Net Asset Value	74m
Investee Portfolio (ex cash)	60m
Cash	23m
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)	0.3381
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)	0.3245
MMJ share price (ASX)	0.285
Market capitalisation	65m
Number of investments (ex cash)	13
ASX Investment Type	Listed Investment Company
Initial Public Offering Date (Inception date)	22 January 2015
No. of ordinary shares on issue	227,467,527

<sup>1</sup> Includes investments in existing investees

<sup>2</sup> Net Tangible Asset Value per share – net tangible assets per share before tax on unrealised gains on investment portfolio

<sup>3</sup> Inception is 30 June 2018 being the date when MMJ commenced accounting for investments as an investment entity

**MMJ NEWS**

### On market share buyback

On 7 June 2019 MMJ announced an on-market buy-back of up to 10m MMJ ordinary shares over the next 12 months ('buy-back') as part of its active approach to capital management.

The buy-back is from existing cash reserves and is expected to enhance shareholder returns. MMJ commenced buying its shares on 27 June 2019 and had bought back 3.15m shares for an average price of 27.2 cents as at 31 July 2019. The shares which are bought back are cancelled thus reducing the total number of MMJ shares on issue. MMJ has the capacity to acquire a further 6.85m shares during the next ten months as at 31 July 2019.

### Dividend policy

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 policy would first apply in respect of the Annual Profit for the year ending 30 June 2020. 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.

### Appointment of Embark Ventures

On 5 April 2019 MMJ announced the proposed appointment of Embark Ventures (EBV) as manager of MMJ's investments. On 7 June 2019 MMJ advised that MMJ has executed an investment management agreement (IMA) with EBV which became effective following MMJ shareholder approval on 19 July 2019 of:

- The appointment of EBV under the terms of the IMA; and
- The issue of MMJ performance rights to EBV as part of EBV's remuneration structure.

Mr Michael Curtis, MMJ Non-Executive Director and Director of Embark Ventures Inc visited Australia during July 2019. MMJ shareholders were provided the opportunity to participate in an Openbriefing on Wednesday, 17 July 2019 conducted via the OpenBriefing format.

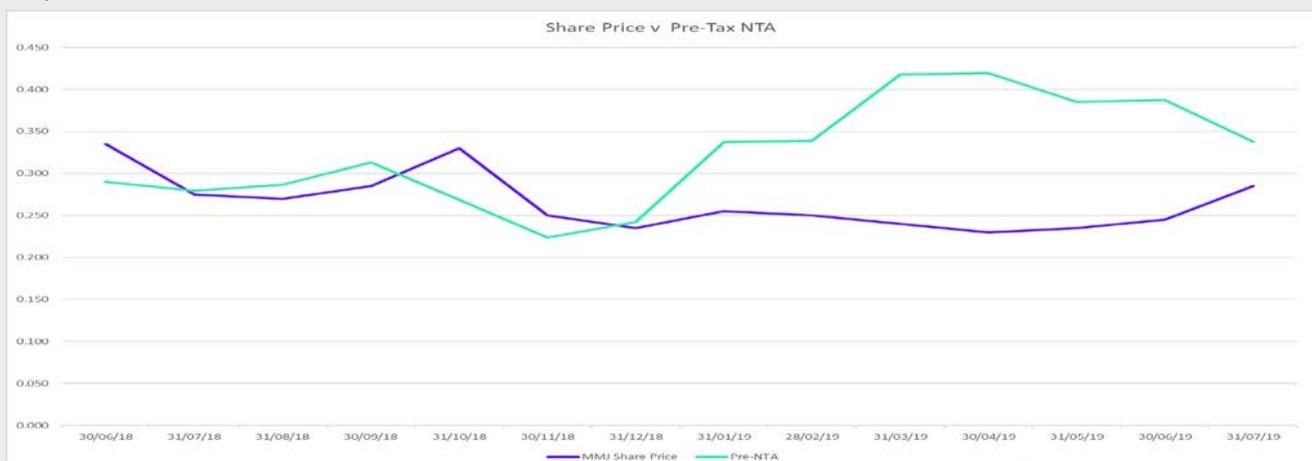
In this OpenBriefing, Michael Curtis discussed the future prospects of the Company following the appointment of Embark Ventures Inc as asset manager of the Company and investors were provided the opportunity to ask questions following the presentation.

For MMJ's latest investor presentations and news, please visit: <https://www.mmjgh.com.au/category/interviews/> to view the interviews and the Openbriefing with Michael Curtis.

### MMJ Share Price Versus Net Asset Value

Since 30 April 2019 the MMJ board of directors and management have been able to materially narrow the discount that the MMJ share price trades to the pre-tax net tangible asset value (NTA) as detailed in Graph One.

Graph One



Whilst it is recognised that the decline in NTA has resulted from the decrease in MMJ's listed investments in the context of the similar decline in the broader Canadian market, the measures taken by MMJ have contributed to the MMJ share price increasing from 23 cents to 28.5 cents at 31 July. One of the board's key aims for the share price to trade at a premium to NTA given the potential returns from our portfolio companies.

## MMJ PORTFOLIO NEWS

## Public Company Holdings

### Fire & Flower (FAF)

The company has announced a CAD26m strategic investment from Couche-tard for 9.9% of the company with the right to potentially acquire up to 50.1% of the company over the next several years.

### Harvest One (HVT)

Harvest One has entered into a supply agreement with GenCanna under which GenCanna will supply Harvest One with GMP Certified CBD oil and finished products for distribution in regulated markets in the United States, Europe, and around the globe, currently under the Dream Water, Satipharm, and LivRelief brands for an initial term of two years. Harvest One has also entered into a supply agreement with Stevens Green, pursuant to which Stevens Green will cultivate and harvest United Greeneries' premium cannabis genetics at their facility in Ontario.

### Medipharm Labs (LABS)

Medipharm applied for and received approval to graduate its stock listing to the TSX main board from the TSX venture exchange.

### Bevcanna (BEV)

As foreshadowed in April 2019, the company went public on the Canadian Stock Exchange (CSE) on 2 July 2019 and currently trades at CAD0.51. MMJ holds 1.25m BEV shares. BevCanna has appointed Michael Darby as the Chief Financial Officer and Corporate Secretary of the company, effective July 29, 2019. Mr. Darby succeeds John Campbell, who will continue to hold the role of Chief Strategy Officer of the company.

## Private Company Holdings

Several of our investee private companies are in the market seeking additional funding to continue accelerating their businesses. In addition to considering capital injections in some of them, we continue to leverage our portfolio platform so investee companies can help each other from a technical and commercial standpoint.

## Significant Recent Cannabis Industry News & Studies

### Most Marijuana-Friendly Congress in History.

Seven months into the session, there have already been seven hearings on cannabis, a marijuana banking bill passed a key committee and the full USA House of Representatives adopted a far-reaching amendment to block federal interference in state legalization laws. In June 2019, the House of Representatives voted 267 to 165 to approve a measure for the first time that prevents the Department of Justice from spending money to intervene in the implementation of state and territory marijuana policies. In March, the House Financial Services Committee voted 45 to 15 to approve a bill to let banks service marijuana businesses without being punished by federal regulators.

### CannTrust appoints financial advisor for strategic review.

CannTrust (TSX: TRST) announced that the special committee of the company's board of directors has retained Greenhill & Co. to assist in the review of strategic alternatives. The nature, timing and outcome of the strategic review process will be influenced by, among other things, the resolution of the company's regulatory compliance issues with Health Canada.

### The vape wars are coming.

With the next wave of cannabis legalization looming, the business of pot is once again the business of mergers and acquisitions. If the last phase was all about production and distribution, this phase may be dominated by technology. Specifically, vape pens which are among a series of new products, including edibles, beverages and extracts, that will be for sale legally in Canada in mid-December 2019 which in part explains why Canadian cannabis company Auxly Cannabis Group Inc. has teamed up with British tobacco giant Imperial Brands in a deal worth more than \$120 million.

## Significant Recent Cannabis Industry News & Studies (con't)

### Here's How Much Legal Marijuana Canada Has Sold Since Legalizing Adult-Use Cannabis.

Here's a rundown of total licensed marijuana sales in Canada since recreational sales began on Oct. 17, 2018 (Statistics Canada reports in Canadian dollars, with U.S. dollar equivalency in parenthesis):

October 2018	CA\$53.68 million (\$41.06 million)
November 2018	CA\$53.73 million (\$41.1 million)
December 2018	CA\$57.34 million (\$43.86 million)
January 2019	CA\$54.88 million (\$41.98 million)
February 2019	CA\$51.66 million (\$39.52 million)
March 2019	CA\$60.94 million (\$46.62 million)
April 2019	CA\$74.58 million (\$57.05 million)
May 2019	CA\$85.65 million (\$65.52 million)

As you can see from these figures, May was Canada's best month, with licensed stores logging better than CA\$85 million in revenue, or a nearly 15% sequential quarterly increase from April. On an aggregate basis, licensed cannabis stores have logged CA\$492.46 million in sales (\$376.71 million). Canada's recent double-digit sequential monthly sales progression would suggest that it has a shot to land between CA\$800 million (\$612 million) and CA\$900 million (\$688 million) in revenue in its first full year of sales.

### FDA Says It Is Speeding Up The CBD Regulation Process.

The US Food and Drug Administration (FDA) public hearing on May 31 2019 involved testimony from numerous industry stakeholders and policymakers, who emphasized the importance of developing regulations so that hemp-derived CBD products could be lawfully marketed as food items and dietary supplements. Because CBD exists as an FDA-approved drug and hasn't previously been added to the food supply, former FDA Commissioner Scott Gottlieb said that the rulemaking process to create an alternative regulatory framework could take years without congressional action. There are still a few more days before the deadline for the public and stakeholders to weigh in with FDA.

### Medical cannabis is gaining momentum in Asia.

In Asia, Seoul and Bangkok look to be leading the way in the normalization and legalization of medical marijuana with government licence. Thailand is the only country that has fully legalized medicinal cannabis with others actively looking into the plant's health-care applications, according to Prohibition Partners, an international cannabis industry consultancy. South Korea surprised many by being the first East Asian nation to legalize medical marijuana last November. The policy came to effect in March this year with the goal of expanding treatment options for patients with epilepsy, chronic pain and other conditions.

**For MMJ's latest investor presentations and news on MMJ investees and the global cannabis/hemp industry, please visit: [www.mmjgh.com.au](http://www.mmjgh.com.au)**

## Appendix One

### 1. The year to date performance of MMJ's NTA is detailed below<sup>4</sup>:

MMJ Historical Performance - financial year to date					
		30-Jun-18	30-Jun-19	31-Jul-19	
Share price \$	AUD	0.3350	0.2450	0.2850	
NTA Post Tax \$	AUD	0.2860	0.3718	0.3245	
NTA Pre Tax \$	AUD	0.2900	0.3874	0.3381	
Net Return - pre tax NTA - year to date		n/a	33.6%	(12.7)%	
Premium/(discount) of share price to pre tax NTA		15.5%	(36.8)%	(15.7)%	

### 2. MMJ's investment portfolio (as at 31 July 2019) is detailed in Table One:

Table One

Investment	CSE/TSXV/ TSX Code	Investment date	Country	Company type	Investment structure	Business	Book Value (unaudited)
							31-Jul-19 AUDm
Harvest One	HVT	Apr-17	Canada	Public	Shares	Health and wellness products	32.5
MediPharm Labs	LABS	Jun-18	Canada	Public	Warrants	Extraction	4.5
BevCanna	BEV	Jun-18	Canada	Private	Shares	Beverages	0.5
Fire & Flower	FAF	Apr-18	Canada	Public	Shares + warrants	Retail stores	1.7
<b>Listed investments</b>							<b>39.1</b>
Weed Me		Dec-17	Canada	Private	Shares and warrants	Cultivation	6.6
Embark Health		Jul-18	Canada	Private	Shares and Warrants	Extraction	3.7
Volero		May-19	Canada	Private	Shares and warrants	Vapes	2.8
Sequoia		Jul-19	Canada	Private	Convertible note (including warrants)	Extraction	2.8
VitaGenne		Nov-18	USA	Private	Shares	Hemp CBD	1.5
Bien		Jun-18	Canada	Private	Shares + warrants	Research and development	1.1
Cannabis Access		Apr-18	Australia	Private	Shares	Clinics	1.0
Hemple		Mar-19	Australia	Private	Shares	Hemp CBD	1.0
Martha Jane Medical		May-18	Australia	Private	Shares	Extraction	0.6
<b>Unlisted investments</b>							<b>21.0</b>
<b>Total portfolio excluding cash</b>							<b>60.2</b>
Cash and other investment receivables							23.1
<b>Total</b>							<b>83.2</b>

### 3. Valuation of Assets

MMJ values its cannabis investments by applying the following principles:

- Listed securities – the book value is based on the closing share prices for public companies at period end converted into Australian dollars at the relevant prevailing foreign exchange rates.
- Unlisted securities - The book value is based on the most recent material funding round share prices for private companies converted into Australian dollars at the relevant prevailing foreign exchange rates.

The book values also include the unrealised gain arising from the positive difference between the assessed valuation of investee ordinary equity securities and the exercise price of unexercised warrants (where applicable).

<sup>4</sup> The results for 30 June 2018 and 30 June 2019 are for the year ended on those dates

## Appendix One continued

The Net Asset Value or NAV is calculated after deducting a provision for company tax on any net unrealised gains that may arise on such a theoretical disposal.

MMJ does not hedge the carrying value of existing investments denominated in non-AUD currencies.

MMJ's financial statements are subject to statutory audit or review by our independent auditor BDO Audit (WA) Pty Ltd, at 31 December and 30 June each year.

**Note:**

1. *All information within this release is unaudited unless stated otherwise.*
2. *The book value includes shares, convertible notes, options and unlisted warrants.*
3. *The book value (presented in the Table One) is based on the closing share prices for public companies at the relevant date. The book value (presented in the Table One) is based on the most recent funding round share prices for private companies converted into Australian dollars at the relevant prevailing foreign exchange rates. The market and book values also include the unrealised gain arising from the positive difference between the assessed valuation of investee ordinary equity securities and the exercise price of unexercised warrants (where applicable).*
4. *The exchange rate used to convert AUD/CAD at 31 July 2019 was 0.9059*