



MMJ Group Holdings Limited
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ASX RELEASE

24 February 2020

MMJ Appendix 4D

MMJ Group Holdings Limited (ASX: MMJ) ("MMJ" or "the Company"), an Australian-listed company that specialises in managing a portfolio of investments along the cannabis value-chain, encloses the Appendix 4D and financial statements in respect of the half year ended 31 December 2019 lodged in accordance with ASXLR4.2B.

Investor and Media Enquiries

Announcement authorised for release to ASX by:
Jim Hallam
Chief Financial Officer and Company Secretary
E: Compsec@mmjgh.com.au

About MMJ

MMJ 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. For MMJ's latest investor presentation and news, please visit: <https://www.mmjgh.com.au/investors/>

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. 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.

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 2019

Previous period:

For the half-year ended 31 December 2018

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

2. Results for announcement to the market

		31-Dec-19	31-Dec-18
		\$'000	\$'000
Revenues from ordinary activities	down (89%)	(234)	(2,099)
Loss from ordinary activities after tax attributable to the owners of MMJ Group Holdings Limited	up 145%	(31,131)	(12,694)
Loss for the half-year attributable to the owners of MMJ Group Holdings Limited	up 145%	(31,131)	(12,694)

Dividends

There were no dividends paid, recommended or declared during the current or previous Half Year.

Comments

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$31.131m (31 December 2018: \$12.694m). The loss for the period included the following material unrealised gains and losses on investments:

- a) Unrealised investment loss of \$32.6m from Harvest One Cannabis (HVT)
- b) Unrealised investment loss of \$3.7m from WeedMe
- c) Unrealised gain on investments was \$7.8m from Embark Health

Operating overheads for the half year ended 31 December 2019 were \$1.2m which represented 42% reduction from the previous corresponding period.

The net assets of the consolidated entity decreased from \$85.6m as at 30 June 2019 to \$53.3m as at 31 December 2019. The primary reason for the decrease in net assets was unrealised losses on the Company's investment in Harvest One Inc. (HVT) during the period.

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-19	30-Jun-19
	Cents	Cents
Net tangible assets per ordinary security	23.56	37.18

5. Control gained over entities

Not applicable.

6. Loss of control over entities

There was no loss of control over any entities during the reporting 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 period ended 31 December 2019 is attached.

Date: 24 February 2020
Jim Hallam
Company Secretary

MMJ Group Holdings Limited

ABN 91 601 236 417

Half-Year Financial Report - 31 December 2019

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	Automic 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

Chairman's letter

Dear Shareholders,

MMJ Group Holdings Limited (ASX: MMJ) ("MMJ" or "the Company") is pleased to provide its review of operations for the half-year period ended 31 December 2019.

The first half of 2019/20 saw MMJ implement its investment strategy to recycle capital raised from the sale of MediPharm Labs in 2018/19 into investment opportunities provided by existing and new investees. The significant new investments included existing investees (WeedMe and Embark Health), whilst we also added new investees in WeedMD, Sequoya and Bespoke.

MMJ's asset manager, Embark Ventures, has added considerable value in sourcing new investments to diversify our cannabis portfolio whilst providing resources to actively manage MMJ's holdings in existing investments.

MMJ believes that the current market and industry sentiment surrounding cannabis companies has created opportunities to invest in listed and unlisted Canadian cannabis businesses at attractive valuations and prices.

In addition to opportunities to invest into new businesses in the global cannabis market in line with MMJ's investment mandate, MMJ also holds warrants (similar to 'options' in Australia) and contractual rights in a number of its existing listed and unlisted investments which provide opportunities for MMJ to make follow-on investments in businesses at a discount to current valuations and where MMJ is well placed to understand their potential returns.

In February 2020 MMJ announced a share purchase plan ("SPP") to raise approximately \$5 million. Eligible MMJ shareholders¹ have the opportunity to purchase up to \$30,000 worth of new shares in the Company ("New Shares"), irrespective of the size of their shareholding, without incurring brokerage or transaction costs ("SPP Offer"). The New Shares will be issued at an issue price of \$0.11 per share ("Issue Price") and the funds will improve MMJ's position to take advantage of the growing global cannabis and hemp market, with a particular focus on listed and unlisted Canadian cannabis businesses. It also increases our flexibility to make follow-on investments in our current portfolio companies and to manage the timing of exits for some of our existing investments.

We believe that a SPP is the fairest and most efficient means of raising equity, where our shareholders will be offered the first opportunity to invest additional funds in the Company at a discount to the share price as at 13 February 2020.

Whilst MMJ continues to hold high quality Cannabis investments, the Canadian cannabis investment market suffered a material downturn in valuation as evidenced by the 47% decline in MMJ's investment benchmark (Alternative Harvest ETF (MJ)²) over the period. The Canadian cannabis industry remains in a period of transition from business establishment to producing operational cashflow. This period of transition is expected to last for the majority of 2020. Investors are critically examining the capacity of Canadian companies to generate sales and earnings growth during the following 12 to 18 months with expectations that some companies will need to raise cash to continue the rollout of their business plans.

¹ Participation in the SPP is optional and open to all MMJ shareholders registered as at 5:00pm (AWST) on 13 February 2020 with a registered address in Australia or New Zealand ("Eligible Shareholders"). The SPP is expected to close at 5.00pm (AWST) on 10 March 2020.

² MMJ uses the Alternative Harvest ETF (ticker symbol MJ) as its investment benchmark for the MMJ portfolio as it is a highly liquid portfolio trading in the North American market (where most of MMJ's holdings are based). MJ is listed on the New York Stock Exchange

The decline in the value of Canadian cannabis companies was felt in the decline in the market value of MMJ's major investment, Harvest One, of approximately 74% to AUD12m generating an unrealised loss before tax of \$32.6m. We consider that HVT's stated intention to raise additional capital has been a major contributor to HVT's under performance relative to the overall market. Other material changes during the period in the fair value of investees were:

- a) The revaluation gain of \$7.8m from our investment in Embark Health arising from its recent material capital raising; and
- b) Devaluation of \$3.7m from our investment in WeedMe following assessment of fair value based on recent material capital raising and advice from our asset manager, Embark Ventures.

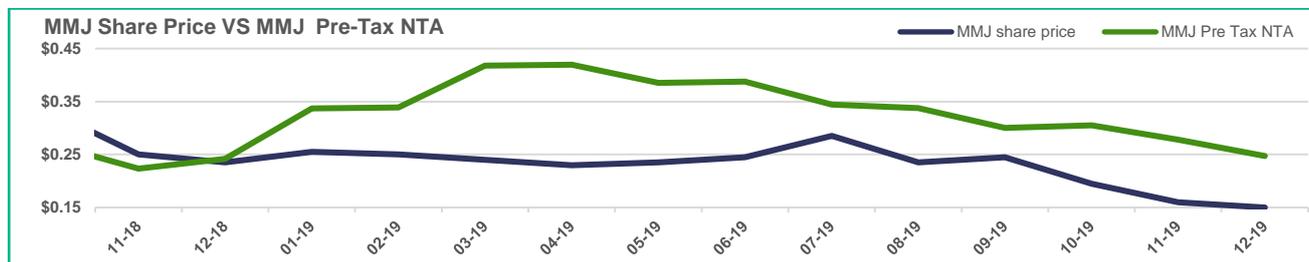
In February 2020 HVT announced that it would undertake a strategic review in order to ensure that all available alternatives for HVT are being evaluated to maximise value for its shareholders. As HVT's largest shareholder, MMJ remains supportive of HVT's efforts to restructure its operations and capital base to achieve long-term success and recovery in the value of our investment. We believe HVT is significantly undervalued given its substantial cultivation and Cannabis 2.0 assets and we are committed to working closely with Harvest One to realise that intrinsic value.

One of the MMJ board's key aims is for its share price to better reflect its NTA given the latent returns from our portfolio companies. MMJ is well placed to continue to rollout its investment strategy, key elements of which are:

- a) for MMJ's asset manager, Embark Ventures, to work with MMJ's investees to understand their respective funding requirements and add value to the existing portfolio; and
- b) to make further investments at currently depressed valuations in Canadian cannabis stocks which will materially add value to the portfolio during the next twelve months.

Chart One demonstrates the current discount of the MMJ share price to the pre-tax net tangible asset value (NTA).

Chart One



The Board appreciates the continued support of MMJ's shareholders during a challenging period in our efforts to generate positive returns for our shareholders.

Yours Sincerely,

Peter Wall
Non- Executive Chairman

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 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 2019.

Directors

The following persons were directors of MMJ Group Holdings Limited during the half year ended 31 December 2019 (Half Year) 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 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 a fair value basis.

The operating revenues, expenses and cashflows of the MMJ consolidated entity for the half year ended 31 December 2019 reflect the operations of MMJ which operates as an investment entity for financial reporting purposes comprising:

- i. Revenue and other income – includes realised and unrealised gains/losses from investments
- ii. 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 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. The Company had a negative Annual Profit of \$1.4m for the half year (i.e. excluding unrealised gains and losses on investments) and accordingly no dividend has been declared in respect of the half year.

There were no dividends paid, recommended or declared during the current or previous half year.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$31.1m (31 December 2018: loss of \$12.7m).

The loss for the period included the following material unrealised gains and losses from investments:

- a) Unrealised investment loss of \$32.6m from Harvest One Cannabis (HVT)
- b) Unrealised investment loss of \$3.7m from WeedMe
- c) Unrealised gain on investments of \$7.8m from Embark Health

Operating overheads for the half year ended 31 December 2019 were \$0.86m³ which represented 46% reduction from the previous corresponding period.

During the year the net tangible asset backing per share decreased from 37.18 cents as at 30 June 2019 to 23.56 cents as at 31 December 2019 on which day the share price closed at 14.5 cents.

³ Excludes non-cash share based payments expense

a) Significant Acquisitions

During the half year the Company acquired the following material investments:

- i. CAD⁴3.6m follow on investment in privately-held Embark Health Inc (“Embark”) – Canadian based extractor of THC⁵, CBD⁶, and CBG⁷ servicing Canada’s medical and recreational cannabis markets
- ii. CAD2.7m investment in the privately-held Sequoya Cannabis Limited – Sequoya is focusing on cannabis extraction, which is the highest value opportunity, within the cannabis ecosystem and it is building a large-scale production plant in a low-cost jurisdiction which has easy no-tariff access to high value European markets.
- iii. USD1m investment in the unlisted Bespoke A Limited Partnership (BESPOKE) which in turn holds an investment in the publicly listed Bespoke Capital Acquisition Corporation which is a special-purpose Canadian investment entity for acquiring investments in the cannabis industry.
- iv. CAD6m investment in the Canadian-listed company WeedMD Inc. (TSX-V:WMD) (“WeedMD or WMD”) which is a licensed producer of cannabis products for both the medical and adult-use markets.

The Company also made follow-on investments in Trichomia Pty Limited, (Hemple) and WeedMe.

b) Significant Divestment of Investments

During the half year the Company made the following material divestments:

- i. Bevcanna Inc - The Company sold shares for net proceeds of CAD0.54m which compared to acquisition cost of CAD0.75m

c) Appointment of Investment Manager

On 19 July 2019, the Company’s shareholders approved:

- i. The investment management agreement between the Company and Embark Ventures Inc which was effective from 1 June 2019.
- ii. The issue of 12,000,000 performance rights to Embark Ventures Inc. as part of the investment management agreement

Financial Position

The net assets of the consolidated entity decreased during the financial half year as a result of loss after tax of \$31.1m arising from unrealised losses.

Cash holdings for the consolidated entity decreased by \$26.4m to \$8.3m primarily as a result of the new investments.

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 or being directly engaged in operational activities.

There were no other significant changes in the state of affairs of the consolidated entity during the half year.

⁴ CAD – Canadian dollars

⁵ THC - THC is the principal psychoactive constituent of cannabis

⁶ CBD - Cannabidiol is a crystalline, nonintoxicating cannabinoid in cannabis and hemp

⁷ CBG - Cannabigerol is the non-acidic form of cannabigerolic acid, the parent molecule from which other cannabinoids are synthesized.

Events subsequent

On 14 January 2020, MMJ made a CAD2m secured loan to an existing investee, Harvest One Cannabis Inc. (TSX-V:HVT) as part of the recapitalisation of HVT.

On 14 February 2020, MMJ announced a share purchase plan ("SPP") to raise approximately \$5 million. The new shares will be issued at an issue price of \$0.11 per share.

No other matter or circumstance has arisen since 31 December 2019 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.

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
24 February 2020

MMJ Group Holdings Limited
Auditor's independence declaration

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 2019, 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, 24 February 2020

MMJ Group Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	31-Dec-19 \$000	31-Dec-18 \$000
Revenue			
Interest income		285	86
Net foreign exchange gain/(loss)		254	411
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss		(773)	(2,596)
Total revenue		<u>(234)</u>	<u>(2,099)</u>
Other income			
Changes in the fair value of equity investments at fair value through through profit and loss	4	(31,470)	(5,038)
Other income		(31,470)	(5,038)
Income from operating activities		<u>(31,704)</u>	<u>(7,137)</u>
Expenses			
Administration expenses		(297)	(472)
Asset management expenses		(250)	0
ASX Compliance relisting expense		0	(433)
Compliance and regulatory expenses		(32)	(50)
Consultancy and legal expenses		27	(145)
Depreciation and amortisation expense		(5)	(4)
Employee and director related expenses		(302)	(492)
Cash operating expenses		(859)	(1,596)
Equity based payments expense		(325)	(439)
Total expenses		<u>(1,184)</u>	<u>(2,035)</u>
Profit/(Loss) before income tax expense		(32,887)	(9,172)
Income tax (expense)/benefit		1,757	(3,521)
Profit/(Loss) after income tax expense for the half year		<u>(31,131)</u>	<u>(12,694)</u>
Other comprehensive income			
Other comprehensive income for the year, net of tax		0	0
		<u>0</u>	<u>0</u>
Total comprehensive profit/(loss) for		<u>(31,131)</u>	<u>(12,694)</u>
Profit/(Loss) for the half year is attributable to:			
Owners of MMJ Group Holdings Limited		(31,131)	(12,694)
		<u>(31,131)</u>	<u>(12,694)</u>
Total comprehensive income for the half year is attributable to:			
Owners of MMJ Group Holdings Limited		(31,131)	(12,694)
		<u>(31,131)</u>	<u>(12,694)</u>
		Cents	Cents
Basic earnings per share		(13.79)	(5.52)
Diluted earnings per share		(13.79)	(5.52)

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 2019

	Note	31-Dec-19 \$'000	30-Jun-19 \$'000
CURRENT ASSETS			
Cash and cash equivalents		8,279	26,392
Trade and other receivables		116	63
Financial assets at fair value through profit or loss	4	53,052	69,093
Total Current Assets		61,446	95,549
NON-CURRENT ASSETS			
Property, plant and equipment		40	45
Deferred tax assets		461	66
Total Non-Current Assets		501	112
TOTAL ASSETS		61,949	95,660
CURRENT LIABILITIES			
Trade and other payables		155	195
Current tax payable		5,905	6,240
Total Current Liabilities		6,060	6,435
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,560	3,587
Total Non-Current Liabilities		2,560	3,587
TOTAL LIABILITIES		8,620	10,022
NET ASSETS		53,329	85,638
EQUITY			
Contributed equity		51,434	52,936
Reserves		1,380	1,057
Retained Earnings		514	31,645
TOTAL EQUITY		53,329	85,638

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 half-year ended 31 December 2019

Consolidated	Contributed Equity \$'000	Other Reserves \$'000	(Accumulated Loss)/ Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2019	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:				
Exercise of options			0	0
Lapse of options	0	(233)		(233)
cancellation of shares acquired through on market buyback	(1,502)	0	0	(1,502)
Cancelled performance rights		(68)	0	(68)
Conversion of performance rights			0	0
Share-based payment	0	624		624
Balance at 31 December 2019	51,434	1,380	514	53,329

Consolidated	Contributed Equity \$'000	Other Reserves \$'000	(Accumulated Loss)/ Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2018	49,064	9,353	5,330	63,747
Loss after income tax expense for the half year	0	0	(12,694)	(12,694)
Other comprehensive income for the half year, net of tax	0	0	0	0
Total comprehensive income for the half year	0	0	(12,694)	(12,694)
Transactions with owners in their capacity as owners:				
Exercise of options	240	(1,709)	1,709	240
Lapse of options	0	(2,066)	2,066	0
Conversion of performance rights	3,632	(3,632)	0	0
Cancellation of performance rights	0	0	0	0
Share-based payment	0	439	0	439
Balance at 31 December 2018	52,936	2,385	(3,589)	51,732

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 half-year ended 31 December 2019

	31-Dec-19	31-Dec-18
	\$'000	\$'000
Cash flows from operating activities		
Payments to employees & suppliers	(937)	(2,001)
	<u>(937)</u>	<u>(2,001)</u>
Interest received	150	44
Payments for financial assets at FVPL	(16,832)	(8,518)
Proceeds from disposal of financial assets at FVPL	811	11,747
Net cash (used in)/from operating activities	<u>(16,807)</u>	<u>1,272</u>
Cash flows from investing activities		
Other	0	0
Net cash used in investing activities	<u>0</u>	<u>0</u>
Cash flows from financing activities		
MMJ share buyback	(1,502)	0
Net cash from financing activities	<u>(1,502)</u>	<u>0</u>
Net increase/(decrease) in cash & cash equivalents	(18,309)	1,272
Cash at the beginning of the half year	26,392	1,347
Effects of exchange rate changes on cash and cash equivalents	196	0
Cash & cash equivalents at end of period	<u>8,279</u>	<u>2,619</u>

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

MMJ Group Holdings Limited
Notes to the financial statements
31 December 2019

Notes to financial statements

1. General information

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2020. 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 2019 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 2019 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

New or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

- AASB 16 Leases.

The impact of the adoption of this standard and the new accounting policies are disclosed below. The impact of this standard, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

Changes in accounting policies

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 "Leases" and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a "right-of-use" asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a "right-of-use" asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor

accounts for leases. The application of AASB 16 Leases became effective for the Group on 1 July 2019 and has not had a material effect on the Company's financial statements. The Group applied the modified retrospective approach.

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 half year reporting period ended 31 December 2019. 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, 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.

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

a) Financial assets at fair value through profit and loss

	2019	2019
	31-Dec	30-Jun
	\$000	\$000
Financial assets at fair value through profit and loss		
Investment in Bien Ventures Ltd	583	1,077
Investment in BevCanna Enterprises Inc	0	1,361
Investment in Biologics Research Institute Australia Pty Ltd ("Cannabis Access")	1,009	1,000
Investment in Embark Health Inc	15,462	3,685
Investment in Fire & Flower Inc.	876	1,250
Investment in Harvest One Cannabis Inc.	11,544	44,146
Investment in Martha Jane Medical Limited	600	600
Investment in MediPharm Labs Inc	2,738	4,077
Investment in Weed Me Inc	3,975	6,532
Investment in Vitagenne Inc.	1,046	1,426
Investment in Hemple	752	1,000
Investment in Volero Inc.	2,734	2,721
Investment in Sequoya	3,349	218
Investment in WeedMD	5,639	0
Investment in Bespoke	2,419	0
Investment in J Supply	326	0
	<u>53,052</u>	<u>69,093</u>
<i>Reconciliation</i>	2019	2018
	\$000	\$000
Reconciliation of the fair values at the beginning and end of the current and corresponding half		
Opening fair value	69,093	63,091
Additions - financial assets at fair value through profit and loss	16,832	8,692
Changes in the fair value of equity investments at fair value through profit and loss	(31,470)	(4,962)
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	(773)	(2,596)
Accrued interest	132	0
Foreign exchange gain on revaluation of financial assets held for trading	0	531
Disposal of financial assets at fair value through profit and loss	(762)	(11,747)
Closing fair value	<u>53,052</u>	<u>53,008</u>

Accounting policy - Valuation principles

MMJ's general approach to valuations includes valuing assets in accordance with accounting standards and best practice principles, which currently is to value assets at net market value.

Securities comprise listed securities, unlisted securities and derivative securities. Securities are recorded at fair value through the profit or loss upon initial recognition as the investments are classified as held for at fair value through profit and loss. Costs incidental to the acquisition, conversion or disposal of securities and subsidiaries are recognised in the profit or loss when incurred.

After initial recognition, securities are measured at fair value as they are managed and their performance evaluated on a fair value basis in accordance with MMJ's Investment Strategy.

Unrealised gains or losses on securities are recognised through profit or loss and represent:

- i. Movements in the fair value of securities which are held as at the end of the reporting period.
- ii. Unrealised gains or losses on securities which are held as at the end of the reporting period are calculated as the difference between the fair value at the end of current reporting period and the fair value at the end of previous reporting period or the date the securities are acquired.
- iii. Reversal of any life-to-date unrealised gains or losses as at the previous reporting period in connection with any securities that have been sold, restructured, settled or terminated in the current reporting period.
- iv. Realised gains and losses on securities are recognised through profit or loss upon the sale, restructure, settlement or termination of securities and are calculated as the difference between the settlement amount and the fair value upon initial recognition.
- v. Purchases and sales of securities that require delivery of securities within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date that MMJ commits to purchase or sell the securities.

5. 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	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000
Financial assets held at fair value through profit and loss		31-Dec-19			
Listed investments		18,307	0	0	18,307
Unlisted investments		0		25,879	25,879
Convertible debenture receivable		4,909	0	3,957	8,866
Total assets		23,216	0	29,836	53,052
		Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000
Equity investments at fair value through profit and loss		30-Jun-19			
Listed investments		49,474	0	0	49,474
Unlisted investments		0	0	19,619	19,619
Convertible debenture receivable		0	0	0	0
Total assets		49,474	0	19,619	69,093

The following table presents the changes in level 3 instruments for the half year:

	Unlisted equity securities	Convertible debenture receivable	Total	
	\$000	\$000	\$000	
Opening balance	1-Jul-19	19,619	0	19,619
Transfer to level 1		(1,361)	0	(1,361)
Disposals		(214)	0	(214)
Acquisitions		4,792	3,848	8,640
Net foreign exchange gain/(loss)		(4)	0	(4)
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss		0	0	0
Accrued interest		0	130	130
Changes in the fair value of equity investments at fair value through through profit and loss		3,045	(21)	3,024
Closing balance	31-Dec-19	25,878	3,957	29,835

Other than the transfer of equity securities from level 3 to level 1 explained above there were no transfers between the levels of the fair value hierarchy in the six months to 31 December 2019. There were also no changes made to any of the valuation techniques applied as of 30 June 2019.

Level 3 financial assets held for trading unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Sensitivity
Unlisted investments	Issue price of shares from latest significant capital raising or acquisition cost . MMJ will also consider the recommendation of its third-party manager, Embark Ventures Inc. in relation to asset valuations.	Decrease share price on last equity issue decreases fair value
Convertible debenture receivable	Issue price of shares from latest significant capital raising	Decrease share price decreases fair value
	Volatility	Increased volatility significantly increases fair value

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. Fair values for unquoted equity investments are estimated, using the latest share price from capital raising. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

6. Equity - issued capital

<i>Movements in ordinary share capital</i>		31-Dec-19	30-Jun-19	31-Dec-19	30-Jun-19
		Shares	Shares	\$'000	\$'000
Ordinary Shares - fully paid		<u>224,398,985</u>	<u>230,148,985</u>	<u>51,434</u>	<u>52,936</u>
Details	Date	Shares		\$'000	
Balance	1-Jul-18	221,398,985		52,936	
Conversion of performance rights	5-Jul-18	4,500,000		0.47	
Conversion of performance rights	5-Jul-18	1,500,000		0.47	
Conversion of performance rights	5-Jul-18	250,000		0.43	
Conversion of performance rights	5-Jul-18	1,500,000		0.20	
Exercise of Options	5-Jul-18	1,000,000		0.24	
Balance	30-Jun-19	<u>230,148,985</u>		<u>52,936</u>	
Buy-back shares, including transaction costs	31-Dec-19	<u>(5,750,000)</u>		<u>(1,502)</u>	
		<u>224,398,985</u>		<u>51,434</u>	

Issue of new performance rights issued to Key Management Personnel

(a) Doug Halley

On 31 August 2019 the Company agreed to issue performance rights to Mr Doug Halley in his role as a Non-Executive Director of MMJ subject to shareholder approval. Following shareholders approval on 28 November 2019, he was issued with 1,500,000 performance rights. These performance rights will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these performance rights started on 31 August 2019. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share based payment expense was recognised for the period ended 31 December 2019.

The fair value of the Class N, O and P performance rights was determined after applying the inputs below:

	Class N	Class O	Class P
Underlying share price	\$0.155	\$0.155	\$0.155
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	\$0.4048	\$0.5096	\$0.5995
Valuation date	28-Nov-19	28-Nov-19	28-Nov-19
Vesting period (years)	1.5	3	3
Probability	<50%	<50%	<50%
Number of rights	500,000	500,000	500,000
Fair Value per right	\$0.155	\$0.155	\$0.155
Fair Value per tranche	\$77,500	\$77,500	\$77,500
Value expense for the period	\$0	\$0	\$0

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for Shares calculated at month end.

The fair value per tranche is before application of management probability.

(b) Winton Willesee

On 31 August 2019 the Company agreed to issue performance rights to Mr Winton Willesee in his role as a Non-Executive Director of MMJ subject to shareholder approval. Following shareholders approval on 28 November 2019, he was issued with 1,500,000 performance rights. These performance rights will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these performance rights started on 31 August 2019. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share based payment expense was recognised for the period ended 31 December 2019.

The fair value of the Class N, O and P performance rights was determined after applying the inputs below:

	Class N	Class O	Class P
Underlying share price	\$0.155	\$0.155	\$0.155
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	\$0.4048	\$0.5096	\$0.5995
Valuation date	28-Nov-19	28-Nov-19	28-Nov-19
Vesting period (years)	1.5	3	3
Probability	<50%	<50%	<50%
Number of rights	500,000	500,000	500,000
Fair Value per right	\$0.155	\$0.155	\$0.155
Fair Value per tranche	\$77,500	\$77,500	\$77,500
Value expense for the period	\$0	\$0	\$0

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for Shares calculated at month end.

The fair value per tranche is before application of management probability.

(c) Peter Wall

On 31 August 2019 the Company agreed to issue performance rights to Mr Peter Wall in his role as a Non-Executive Director of MMJ subject to shareholder approval. Following shareholders approval on 28 November 2019, he was issued with 2,500,000 performance rights. These performance rights will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these performance rights started on 31 August 2019. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share based payment expense was recognised for the period ended 31 December 2019.

The fair value of the Class N, O and P performance rights was determined after applying the inputs below:

	Class N	Class O	Class P
Underlying share price	\$0.155	\$0.155	\$0.155
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	\$0.4048	\$0.5096	\$0.5995
Valuation date	28-Nov-19	28-Nov-19	28-Nov-19
Vesting period (years)	1.5	3	3
Probability	<50%	<50%	<50%
Number of rights	833,333	833,333	833,333
Fair Value per right	\$0.155	\$0.155	\$0.155
Fair Value per tranche	\$129,167	\$129,167	\$129,167
Value expense for the period	\$0	\$0	\$0

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for Shares calculated at month end.

The fair value per tranche is before application of management probability.

(d) Jim Hallam

On 31 August 2019 the Company agreed to issue performance rights to Mr Jim Hallam in his role as a Chief Financial Officer and Company Secretary of MMJ subject to shareholder approval. Following shareholders approval on 28 November 2019, he was issued with 1,250,000 performance rights. These performance rights will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these performance rights started on 31 August 2019. As the probability of the performance rights vesting is less than 50% it is considered less likely rather than more likely to vest and as such no share based payment expense was recognised for the period ended 31 December 2019.

The fair value of the Class N, O and P performance rights was determined after applying the inputs below:

	Class N	Class O	Class P
Underlying share price	\$0.155	\$0.155	\$0.155
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	\$0.4048	\$0.5096	\$0.5995
Valuation date	28-Nov-19	28-Nov-19	28-Nov-19
Vesting period (years)	1.5	3	3
Probability	<50%	<50%	<50%
Number of rights	416,667	416,667	416,666
Fair Value per right	\$0.155	\$0.155	\$0.155
Fair Value per tranche	\$64,583	\$64,583	\$64,583
Value expense for the period	\$0	\$0	\$0

For the purpose of the Milestones NAVS/SP Average is calculated as the simple average of the Net Asset Value per Share (NAVS) and the 20-trading day Volume Weighted Share Price (VWAP) for Shares calculated at month end.

The fair value per tranche is before application of management probability.

There were no Options issued to directors and other Key Management Personnel during half year ended 31 December 2019.

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.

Cancellation of performance rights issued to Key Management Personnel

During the period ended 31 December 2019, the following performance rights were cancelled with agreement of the holder and replaced by the rights in note (d):

- i. 1,250,000 class H, I and J performance rights

The replacement of the performance rights was considered to be a modification. The fair value of the new performance rights issued was determined to be \$0.155, refer note (d) for details, which exceeds the fair value of the replaced performance rights. However, no expense has been recognised with regards to the new performance rights issued as the probability of vesting as disclosed in note (d) is considered to be less likely rather than more likely.

7. Equity - reserves

	31-Dec-19 \$'000	30-Jun-19 \$'000
Options reserve	785	963
Performance rights reserve	595	94
	<u>1,380</u>	<u>1,057</u>

8. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

9. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2019.

10. Commitments for expenditure

There have been no material changes in expenditure commitments as at 31 December 2019 since 30 June 2019.

11. 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	2019 %	2018 %
PhytoTech Medical (UK) Ltd	United Kingdom	100	100

12. Events after the reporting period

On 14 January 2020, MMJ made a CAD2m secured loan to an existing investee, Harvest One Cannabis Inc. (TSX-V:HVT) as part of the recapitalisation of HVT.

On 14 February 2020, MMJ announced a share purchase plan ("SPP") to raise approximately \$5 million. The new shares will be issued at an issue price of \$0.11 per share.

No other matter or circumstance has arisen since 31 December 2019 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.

13. Earnings per share

	31-Dec-2019 \$'000	31-Dec-2018 \$'000
Profit/(loss) after income tax	(31,131)	(12,694)
Profit/(loss) after income tax attributable to the owners of MMJ Group Holdings Limited	(31,131)	(12,964)
Weighted average number of ordinary Shares used in calculating basic earnings per share	Number 225,729,299	Number 229,957,728
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	225,729,299	229,957,728
Basic earnings per share	Cents (13.79)	Cents (5.52)
Diluted earnings per share	(13.79)	(5.52)

MMJ Group Holdings Limited
Directors' declaration
31 December 2019

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 2019 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

24February 2020

MMJ Group Holdings Limited
Independent auditor's review report to the members of MMJ Group Holdings Limited

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 subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 then ended, and notes comprising a 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 half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 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.

Directors' responsibility for the Half-Year 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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, 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 2019 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. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.



Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO


Phillip Murdoch

Director

Perth, 24 February 2020