

**ASX RELEASE**

16 April 2020

**MMJ makes additional investment in Sequoya Cannabis**

**MMJ Group Holdings Limited (ASX:MMJ/OTC Code MMJF) ("MMJ")**, an Australian-listed company that specialises in managing a portfolio of investments along the cannabis value-chain, advises that it has agreed to provide a CAD2.5m secured convertible note facility to Sequoya Cannabis Limited ("Sequoya"), which may be drawn down in tranches (at MMJ's option). MMJ has advanced an initial CAD0.35m ("Initial Advance") on 16 April 2020 to Sequoya under this convertible note facility.

MMJ secured this additional investment opportunity by exercising a right (secured in July 2019) to invest up to a further CAD2.5m in Sequoya to finance the company's business plan. The Initial Advance was funded from the proceeds of the MMJ Share Purchase Plan completed on 24 March 2020.

Following receipt of the Initial Advance, Sequoya's Polish subsidiary, Sequoya Europe, is expected to commence production of CBD extracts and isolate in April 2020 at its European Union ("EU") GMP Certified production facility. The Sequoya facility is built from the ground up with the strictest production, quality and safety standards, allowing quick and smooth certification of the entire facility and it marks the only completely end-to-end EU GMP certified hemp extraction facility in Europe.

As an end-to-end EU GMP Certified facility, it includes a modern, fully equipped Analysis & Quality Control Area, staffed with senior R&D and Quality Specialists ensuring tight control over producing consistent and highest quality results. With few regulatory hurdles around CBD in Europe, Sequoya is receiving tremendous interest from consumer goods manufacturers namely from cosmetics, food, beverage and nutraceutical companies.

With the financial backing of MMJ, Sequoya is now able to move to the next step to become a significant GMP-certified hemp CBD supplier, with longer term plans to expand into the legal medicinal marijuana market across Europe.

MMJ expects its investment in Sequoya to provide excellent investment returns:

- a) Sequoya is focusing on extraction, which is the highest value opportunity within the cannabis ecosystem and has built a large-scale production plant in a low-cost jurisdiction which has easy no-tariff access to high value markets (e.g. Germany and Northern Europe);
- b) as the industry evolves, the ability to produce GMP certified product at a lower cost in Europe will be a strategic advantage for Sequoya; and
- c) Poland also provides access to world class technicians and engineers at a substantially lower cost than available elsewhere, some of whom are already working with Sequoya.

MMJ's investment in Sequoya has a current book value of CAD3.3m and comprises:

- a) July 2019 Note - CAD2.5m convertible note (advanced July 2019) is unsecured (subject to negative pledge) with an interest rate of 8% per annum and a maturity date of 19 July 2021. The convertible note is convertible (at MMJ's option) into Sequoya ordinary shares at CAD0.05 each.
- b) April 2020 Note – CAD2.5m convertible note facility (executed April 2020) drawn to CAD0.35m, has first ranking security bearing interest of 8% per annum and a maturity date of 15 April 2021. The convertible note is convertible (at MMJ's option) into ordinary shares at CAD0.10 per share.

- c) 19m ordinary shares (27% shareholding) in Sequoia with a book value of CAD0.475m (carried at acquisition cost of CAD0.025 per share).

MMJ has also secured the rights to make further investments in Sequoia through:

- a) Warrants that provide the option for MMJ to acquire a further 1.25m shares at CAD0.075 each following conversion of the July 2019 Note for a period of two years following the date of conversion.
- b) Warrants that provide the option for MMJ to acquire one share at CAD0.10 each for each two Sequoia shares received following conversion of the April 2020 Note for a period of two years following the date of conversion.

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### **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**

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## Glossary

<b>ABBREVIATION</b>	<b>Definition</b>
<b>AUD</b>	means Australian dollars.
<b>AASB</b>	Australian Accounting Standards Board.
<b>ACMPR</b>	means Access to Cannabis for Medical Purposes Regulations.
<b>ASX</b>	means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.
<b>ASX Listing Rules</b>	means the Listing Rules of ASX.
<b>CAD</b>	means Canadian dollars.
<b>CBD</b>	means Cannabidiol (CBD) is a crystalline, nonintoxicating cannabinoid in cannabis and hemp.
<b>CBG</b>	means Cannabigerol is the non-acidic form of cannabigerolic acid, the parent molecule from which other cannabinoids are synthesized.
<b>Company or MMJ</b>	means MMJ Group Holdings Limited (ACN 601 236 417).
<b>EBITDA</b>	means Earnings before Interest, Tax, Depreciation and Amortisation.
<b>GMP</b>	GMP stands for Good Manufacturing Practices and refers to a system of manufacturing that guarantees reproducibility of product quality to set specifications.
<b>LPs</b>	Canada's Licensed Producers of Cannabis Products
<b>M</b>	means million
<b>MMPR</b>	means Marihuana for Medical Purposes Regulation
<b>MOIC</b>	means multiple on invested capital
<b>NTA</b>	means net tangible assets.
<b>Option</b>	means an option to acquire a Share.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means a registered holder of a Share.
<b>THC</b>	means THC is the principal psychoactive constituent of cannabis
<b>TSXV</b>	Toronto Stock Exchange Venture
<b>WST</b>	means Western Standard Time as observed in Perth, Western Australia.