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## ASX RELEASE

11 June 2020

### MMJ Investment Portfolio Report as at 31 May 2020

**MMJ Group Holdings Limited (ASX: MMJ/OTC Code MMJFF) ("MMJ")** is an Australian-listed company that specialises in managing a portfolio of investments along the cannabis value-chain in Australia, Canada, and Europe.

#### MMJ Investment Portfolio Report

MMJ is pleased to provide the MMJ Investment Portfolio Report as at 31 May 2020 which includes the disclosure pursuant to Listing Rule 4.12.

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#### Investor and Media Enquiries

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#### 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.*



# Investment Portfolio Report

31 May 2020

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

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



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## About MMJ

MMJ (ASX Code MMJ/OTC Code MMJJF) 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 in 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 the benefit of MMJ and its shareholders:

<b>20</b> Primary Acquisitions	<b>8</b> Follow on investments <sup>1</sup>	<b>4</b> Private to public	<b>9</b> Sale of investments
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### MMJ Investment Performance<sup>2</sup>

MMJ Historical Performance - period ended					31-May-20
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	6%	(7)%	(47)%	(47)%	(17)%
Benchmark	16%	1%	(56)%	(55)%	(32)%
Out/(under) performance	(10)%	(8)%	9%	8%	15%

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

#### General Investor Queries

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#### Share Registry

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## Performance Update

Net Tangible Asset Value Per Share Before Tax<sup>3</sup> as at 31 May 2020

**\$0.2047**

Total Portfolio as at 31 May 2020

**\$47m**

Investment Return Since Inception<sup>4</sup> as at 31 May 2020 (per annum)

**(17)% pa**

Key Metrics as at	31-May-20	AUD
Net Asset Value	m	46
Investee Portfolio (ex cash)	m	46
Cash	m	0.6
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)		0.2047
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)		0.2001
Net Asset Value per share		0.2019
MMJ share price (ASX)		0.125
Market capitalisation	m	29
Number of investments (ex cash)		15
ASX Investment Type		Listed Investment Company
Initial Public Offering Date (inception date)		22-Jan-15
No. of ordinary shares on issue	m	230

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

<sup>2</sup> 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

<sup>3</sup> Net Tangible Asset Value per share – net tangible assets per share before tax on unrealised gains on investment portfolio

<sup>4</sup> Inception is 30 June 2018 being the date when MMJ commenced accounting for investments as an investment entity

**MMJ NEWS****Performance of MMJ Portfolio for May 2020****Investment Performance for Year to Date**

MMJ's portfolio management has focussed on two key themes:

- a) MMJ has been actively supporting the operational and financial restructuring plans of Harvest One Cannabis (HVT). Promisingly the HVT share price has made a material recovery from 12 month low of 6 cents<sup>5</sup> in March 2020 to 12 cents which indicates that the general market is becoming increasingly confident the benefits of the changes implemented in the past four months to realise the value which we believe resides in HVT's consumer branded products.
- b) Creating a diversified portfolio of CBD and cannabis investments in cultivation, extraction and consumer products with material investments in Embark Health, Weed Me, WeedMD, Sequoya, Volero and Bespoke.

The current downturn in global financial markets will delay liquidity events in some of these material investments – however the individual businesses are realising opportunities to capitalise on the growing demand for CBD and cannabis products in North America and Europe. MMJ has been pleased with the recent improvement of the MMJ share price from its 52-week low of 6 cents to 13 cents at 31 May 2020. MMJ believes that its share price materially undervalues the opportunities provided by its existing portfolio as the Canadian investment market recovers and provides the opportunity for investors to acquire MMJ shares at an attractive price to their intrinsic value.

**Portfolio management events**

During May, MMJ's material investments made significant announcements in terms of achievement of business objectives and funding their operations:

- a) **Harvest One** (33% of portfolio) – On 10 June 2020, MMJ agreed to defer the repayment of its secured loan to Harvest One in the amount of CAD2.0 million (the "Loan") until 17 July 2020.
- b) **Weed Me** (13% of portfolio) – Embark Ventures has provided an update on Weed Me's operations within this report.
- c) **Embark Health** (28% of portfolio) - Embark Health updated its shareholders on the commissioning of its production facility in Delta, BC. where the production of bubble hash, rosin and dry sift has commenced. This announcement followed commencement of production of cannabis extracts at their Delta, BC facility subsequent to receipt of all occupancy and business licences required from the city of Delta, BC in April 2020.

During May, Michael Curtis (Director of Embark Ventures) provided an interview (available on MMJ website) to discuss his thoughts on the Canadian cannabis industry and how the sector is doing during the Covid19 outbreak.

**MMJ's Funding Position**

MMJ is well positioned to create value from the existing portfolio with a liquid balance sheet and cashflows from investments:

- a) Total assets of \$47m with immaterial current liabilities.
- b) Cash of AUD0.6m and a portfolio of listed equities (CAD7m), listed convertible loans (CAD3m) and unlisted loan securities (CAD6m) which provide MMJ interest income with flexibility to fund flow on investments, effect timing of investment exits and MMJ's operating requirements.

**Future Investment Opportunities**

MMJ 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. Existing cannabis businesses where MMJ holds the right to make follow on investments include:

- a) Sequoya (European medicinal cannabis and CBD oil extraction)
- b) Weed Me (Canadian cannabis cultivation)
- c) Volero (Canadian cannabis vape manufacturer)
- d) WeedMD (Canadian cannabis cultivation and cannabis oil extraction)
- e) Embark Health (Canadian cannabis and CBD oil extraction)
- f) Harvest One Cannabis (Canadian cannabis consumer and wellness products).

<sup>5</sup> Canadian dollars

## Embark Ventures Sector Update – May 2020

### Market Overview

Over the month of May, MMJ shares have remained flat and MMJ's pre-tax NAV has risen approximately 6%. The benchmark Alternative Harvest ETF has increased ~16% over the same time frame. Broader markets overall are making all-time highs again and if it were not for the news reminding us of a potential second wave of COVID19 and flashing images of social unrest in the US, one would assume the past 6 months have been rather uneventful. Many colleagues have asked how the market can rally so hard when the news is so chaotic.

Questions like these allow us to remember the market is a forward-looking beast and is more predictive of what is to come rather than what has already occurred. The lows were in March and April for a reason – and what the market predicted then came to pass. The strong rebound now is indicative of a clearing of the air post COVID19 and the social unrest in the United States. Over the medium term, elections in the US later this year should bring more clarity on how the next four years will unfold and that will also give the market some sense of stability. We continue to remain bullish on the broader markets, and cannabis equities specifically as companies are finally undergoing long-awaited reforms and cost adjustments.

As we discussed last month there is a gap between MMJ's share price and our NAV. As we said then, this is likely due to capital markets not fully understanding the value proposition inherent in our private company holdings. We are endeavouring to close this gap by highlighting specific portfolio companies in each monthly letter. Last month we walked readers through Embark Health and this month we are focusing on Weed Me Inc.

### Weed Me Inc. – Profile, Outlook & Strategy

Weed Me was an initial investment made in 2017 and MMJ have participated in multiple rounds of funding thereafter as well. The position (comprising common shares, convertible debentures, and warrants) has a current book value of ~A\$6mIn which represents a 94%<sup>6</sup> return from MMJ's original investment in the company.

It has been our experience that not all investments immediately succeed on their original business plan. Many times, companies must adjust to changing industry dynamics and modify their original plans and cater to a new business climate. Companies that make this transition successfully end up strengthening their core culture and become long-term successful.

MMJ's initial investment thesis in 2017 was that Weed Me had an opportunity to become a market leading cultivator in Canada through its high-quality indoor grow operations. To that end, Weed Me succeeded in building out a very high quality indoor-grow facility in Ontario and was set to expand by adding more square footage. However, the cannabis industry did not evolve as originally envisioned (i.e. indoor cultivation dominating as the major method of production industry wide did not happen). In fact, approvals from Health Canada to cultivate in greenhouses and plant outdoors came much sooner than expected which allowed new competition with larger scale and lower costs per gram to flood the market with product. This put Weed Me in a challenging position in the middle of 2019 with a burn rate that was rapidly depleting its cash balance. EbV and MMJ worked with Weed Me to provide short term financial support while the company a) sought additional long-term financing and b) re-adjusted its business model.

Weed Me succeeded on both counts. They secured a multi-tranche financing of C\$11mIn with the first tranche already funded in January 2020. The second tranche is expected to close in October 2020. Weed Me is also now in a much better financial position with recent financials indicating significantly higher revenues and almost breakeven EBITDA. The hiring of a new master grower has yielded additional benefits such as certain strains testing at up to 26% THC which translates to higher revenue per gram. This allowed the company to successfully reposition much of its high-quality indoor grow product in the market as being premium with considerable positive customer feedback. Finally, Weed Me successfully transitioned from a purely founder run company to more streamlined management structure and with more oversight.

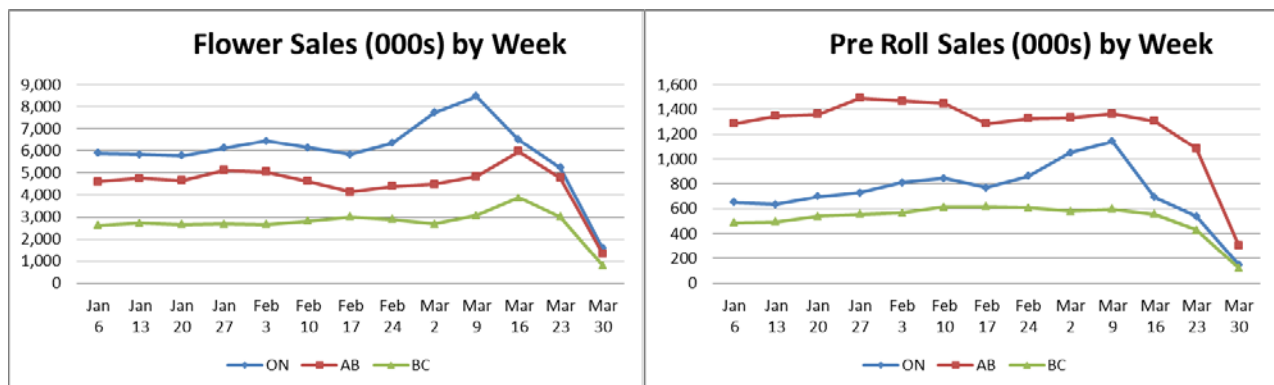
As a result of these changes, Weed Me has seen a significant improvement in its financials. Thus far in 2020, Weed Me has made sales to several parties including ALGC (Alberta), Open Fields, BCLDB (British Columbia) and they shipped their first order to OCS (Ontario Cannabis Stores) in May. Ontario is the largest market in Canada so the first sale to OCS was a significant one which may yield larger orders in the future if customer response is as expected. Also, during May there were two harvests with a total useable dry weight of 113kg and the company received new clones as part of their effort to further strengthen genetics.

Weed Me's gross sales for April 2020 were C\$358k and EBITDA was a loss of C\$29k. These figures are a decrease from March which were a peak month for the company as a whole before sales were impacted by COVID19. Gross sales for March were

<sup>6</sup> Includes interest income

C\$580k and EBITDA was C\$18k. Gross sales in the first quarter of 2020 were C\$1.37 mln, an increase of C\$692k over the previous quarter. EBITDA was a loss of \$16K in the quarter compared to a loss of \$565K in Q4 2019. Finally, the current order book for June 2020 would make it an all-time high revenue month. Clearly the impact of cost controls and improved product positioning are bearing fruit.

As a comparison with the broader industry, see the charts below showing that the Flower and Pre-Roll markets were severely negatively impacted during March. The data comes from Headset, which is a service that estimates sector-wide sales based on Point-of-Sale (POS) data. While the overall market for flower fell by about 60%, Weed Me did better indicating the company is likely gaining market share. It is our view that post-COVID19, Weed Me will likely continue to garner more sales as it continues its breakout into the Ontario market.



It's been our experience that while some investments can be immediate winners, others require time, care and patience to play out. Business models can abruptly change, and investee companies end up being completely different beings than was perhaps originally contemplated. Weed Me was originally intended to be a large-scale indoor grow operation that would scale up in terms of square feet under lights. However, the rapid entrance of greenhouse and outdoor growers changed everything.

Weed Me management had the ability to adapt successfully to this change and they responded by bringing costs in line and focusing on creating a higher quality product that would command higher margins. Sometimes winners are not born, they are forged in the crucible of real-world business blocking and tackling. Weed Me is a company that has gone through that crucible and is now coming out the other side much stronger. As investors, our job is to support investee management teams in successfully making this transition.

## Appendix One

**1. The year to date performance of MMJ's NTA is detailed below<sup>7</sup>:**

Table One

MMJ Historical Performance - financial year to date		30-Jun-18	30-Jun-19	31-Jul-19	31-Aug-19	30-Sep-19	31-Oct-19	30-Nov-19	31-Dec-19	31-Jan-20	29-Feb-20	31-Mar-20	31-May-20
Share price \$	AUD	0.335	0.245	0.285	0.235	0.245	0.195	0.160	0.150	0.135	0.100	0.080	0.125
Net Asset Value	AUD	0.2879	0.3721	0.3324	0.3268	0.2905	0.2861	0.2608	0.2377	0.2277	0.2132	0.2012	0.2019
NTA Post Tax \$	AUD	0.2860	0.3718	0.3321	0.3265	0.2901	0.2853	0.2601	0.2356	0.2256	0.2118	0.1998	0.2001
NTA Pre Tax \$	AUD	0.2900	0.3874	0.3445	0.3378	0.3006	0.3052	0.2780	0.2470	0.2357	0.2210	0.2049	0.2047
Net Return - pre tax NTA - year to date		n/a	33.6%	(11.1)%	(12.8)%	(22.4)%	(21.2)%	(28.2)%	(36.2)%	(39.1)%	(43.0)%	(47.1)%	(47.2)%
Premium(discount) of share price to pre tax NTA		15.5%	(36.8)%	(17.3)%	(30.4)%	(18.5)%	(36.1)%	(42.4)%	(39.3)%	(42.7)%	(54.7)%	(61.0)%	(38.9)%

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

Chart One

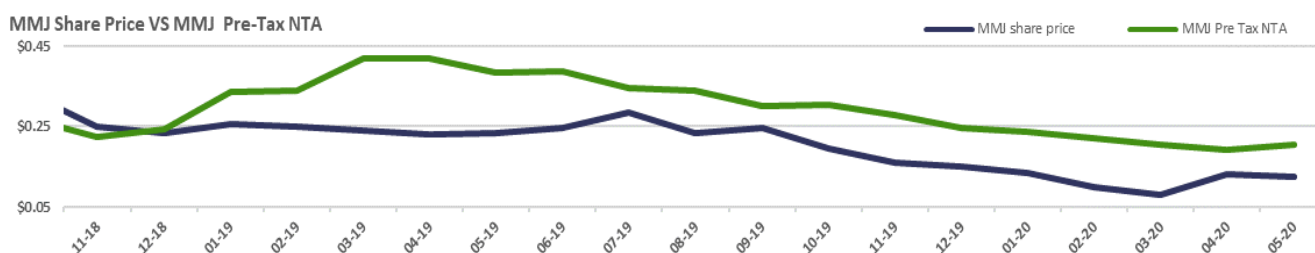

**3. MMJ's investment portfolio (as at 31 May 2020) is detailed in Table Two:**

Table Two

Investment	CSE/TSX/TSX Code	Initial Investment date	Country	Company type	Investment structure	Business	Book Value (unaudited) 31-May-20 AUDm	Weight
Harvest One	HVT	Apr-17	Canada	Listed	Shares, warrants and secured loan	Health and wellness products	10.9	23%
WeedMD Inc.	WMD.WM and WMD.DB	Sep-19	Canada	Listed	Convertible Notes and warrants	Cultivation	4.3	9%
MediPharm Labs	LABS	Jun-18	Canada	Listed	Warrants	Extraction	0.5	1%
<b>Listed investments</b>							<b>15.7</b>	<b>33%</b>
Embark Health		Jul-18	Canada	Unlisted	Shares and Warrants	Extraction	13.2	28%
Weed Me		Dec-17	Canada	Unlisted	Shares, warrants and convertible note	Cultivation	5.9	13%
Sequoia		Jul-19	Canada/Poland	Unlisted	Convertible note, warrants and shares	Extraction	3.8	8%
Volero		May-19	Canada	Unlisted	Shares and warrants	Vapes	2.6	6%
Bespoke		Aug-19	Canada	Unlisted	Bespoke A Limited Partnership holds shares and founders warrants issued by Bespoke Capital Acquisition Corp (TSX listed)	Investment in cannabis businesses	1.8	4%
							<b>27.3</b>	<b>0.6</b>
VitaGenne		Nov-18	USA	Unlisted	Shares	Hemp CBD	0.8	2%
Cannabis Access		Apr-18	Australia	Unlisted	Shares	Clinics	0.8	2%
Hemple		Mar-19	Australia	Unlisted	Shares and loan	Hemp CBD	0.7	1%
Bien		Jun-18	Canada	Unlisted	Shares + warrants	Research and development	0.5	1%
Martha Jane Medical		May-18	Australia	Unlisted	Shares	Extraction	0.5	1%
J Supply		Feb-19	Canada	Unlisted	Shares	Retail stores	0.3	1%
							<b>3.5</b>	<b>7%</b>
<b>Unlisted investments</b>							<b>30.8</b>	<b>65%</b>
<b>Total portfolio</b>							<b>46.5</b>	<b>99%</b>
Cash							0.6	1%
<b>Total</b>							<b>47.1</b>	<b>100%</b>

<sup>7</sup> The results for 30 June 2018 and 30 June 2019 are for the year ended on those dates

## Appendix One continued

### 4. Listed securities held by MMJ

MMJ holds the following shares and warrants in listed investees:

Table Three<sup>8</sup>

Investment	No. of shares	Number of notes	No. of warrants	Exercise price of warrants (CAD)	Warrants expiry
Harvest One	55,557,994	-	17,083,333	0.06	Refer Appendix One
MediPharm Labs	-	-	700,000	1.20	4 Oct 2020
WeedMD	-	6,000,000	3,750,000	1.80	25 Sep 2022

(a) MMJ exercised and sold unlisted warrants over common shares issued by MediPharm LABS (TSXV LABS) during May 2020.

### 5. Divestments by MMJ

The divestments<sup>9</sup> executed by MMJ are detailed below:

Table Four<sup>10</sup>

Divested Investment	Method of sale	Partial/complete	Date of divestment	Net proceeds (AUDm)	Capital invested (AUDm)	MOIC
MediPharm labs	on market	partial	May-19	33.0	8.3	4.0
Bevcanna	on market	complete	Dec-19	0.6	0.8	0.8
Fire & Flower	on market	complete	Apr-20	1.5	1.0	1.5
Harvest One Cannabis	on market	partial	Nov-18	3.6	4.5	0.8
Esense	on market	complete	May-18	0.4	0.5	0.8
Dosecann	takeover	complete	May-18	5.9	2.5	2.3
<b>Total</b>				<b>44.9</b>	<b>17.6</b>	<b>2.6</b>

Note:

(a) MMJ held unlisted warrants over common shares issued by Flower & Flower (TSXV FAF) which lapsed on 20 April 2020 as the market price (CAD0.58) was materially below the exercise price of CAD1.20 per share.

### 6. Unlisted securities held by MMJ<sup>11</sup>

(a) Embark Health

MMJ was a foundation investor in Embark Health in July 2018 – the investment now comprises:

- i. 3.425m ordinary shares (approximately 12.7% shareholding) in Embark Health with a book value of CAD2.40 per share.
- ii. Warrants that provide the option for MMJ to acquire a further 1.0m shares at CAD1.75 each up with maturity date of two years after a Liquidity Event<sup>12</sup>.
- iii. Warrants that provide the option for MMJ to acquire a further 1.2m shares at CAD1.20<sup>13</sup> each up with maturity date of two years after a Liquidity Event.
- iv. Warrants that provide the option for MMJ to acquire a further 1.125m shares at CAD4.80 each up with maturity date of two years after a Liquidity Event.

<sup>8</sup> FAF warrants expired on 20 April 2020

<sup>9</sup> The date of divestment is the date of sale of last parcel of securities

<sup>11</sup> Information as at 31 May 2020

<sup>12</sup> A Liquidity event is an initial public offering or a material sale event

<sup>13</sup> Exercise price has based on MMJ book value of CAD2.40 per share



v. MMJ had generated a total return<sup>14</sup> of 2 times on its investment.

(b) Weed Me

MMJ was a foundation investor in Weed Me in December 2017 which now comprises:

- i. 3.46m shares (book value of CAD1 per share) representing approximately 14% of Weed Me's issued capital and 3.46m warrants each convertible at CAD0.8666.
- ii. CAD1m convertible note ("the Note") with a first ranking charge, bears interest at a rate of 8% per annum and is repayable on 7 August 2020. The Note is convertible at MMJ's option up to 7 August 2020 into 0.666m Weed Me shares and 0.666m warrants which entitle MMJ to acquire one share at an exercise price of CAD1.60 up to 7 August 2021.
- iii. MMJ had generated a total return of 1.9 times on its investment in Weed Me.

(c) Sequoya

MMJ was a foundation investor in Sequoya – the investment now comprises:

- i. 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.
- ii. 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.
- iii. 19m ordinary shares (27% shareholding) in Sequoya with a book value of CAD0.025 per share (acquisition cost).
- iv. MMJ had generated a total return of 1.2 times on its investment.

(d) Harvest One

MMJ was a foundation investor in HVT – the investment now comprises:

- i. 55,557,994 listed HVT shares (approximately 25.8% shareholding).
- ii. CAD2m secured loan bearing interest of 15% per annum with a maturity date of 8 June 2020 (repayment of loan and interest deferred to 17 July 2020). HVT granted MMJ a security interest in all current and after acquired property of HVT and its subsidiaries, subject to certain permitted liens.
- iii. 17,083,333 common share purchase warrants (the "Warrants"). Each Warrant will entitle the holder to purchase one common share in the capital of HVT at a price of CAD0.06 at any time until the earlier of:

- A. the date of the further extension or renewal of the Loan; and
- B. April 3, 2022.

- iv. MMJ had generated a total return of 0.45 times on its investment.

(e) WeedMD

MMJ's initial investment was made in September 2019 – the investment now comprises:

<sup>14</sup> The return comprises all cash income, sale proceeds, accrued income and fair value of investment at date of calculation

- i. CAD6m in 8.5% unsecured convertible debenture units issued by WeedMD which MMJ has the option to convert into 3.75m shares by 25 September 2022. The debenture units have preference over ordinary shares with interest paid to MMJ on quarterly basis.
- ii. Warrants that allow MMJ to acquire an additional 3.75m shares for CAD1.80 each by 25 September 2022.
- iii. MMJ had generated a total return of 0.7 times on its investment.

(f) Volero

MMJ was a foundation investor in 2019 – the investment now comprises:

- iv. 5m ordinary shares (approximately 7% shareholding) carried at book value of CAD0.38 per share.
- v. Warrants that provide the option for MMJ to acquire a further 2.5m shares at CAD0.65 each up with maturity date of 17 May 2022.
- vi. Warrants that provide the option for MMJ to acquire a further 2.5m shares at CAD0.65 each up with maturity date of 17 May 2022.
- vii. MMJ had generated a total return of 1 times on its investment.

## 7. Valuation of Assets

MMJ values its cannabis investments by applying the following principles:

- (a) 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 at month end.
- (b) 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. MMJ also takes in to account the recommendations of its asset manager, Embark Ventures, where it is considered that the fair value should be less than recent capital raisings due to outlook for the individual business.

The book values also include the unrealised gain arising from valuation of unlisted warrants using the Black-Scholes pricing model. The Black-Scholes attributes a value to warrants which may be “out of the money” at month end. The Black Scholes model is commonly used to determine the fair price or theoretical value for a call, or a put option based on six variables such as volatility, type of option, underlying stock price, time to expiry, strike price, and risk-free rate. The warrant valuation ascribed through Black Scholes assumes that the warrant is exercised on the expiry date of the warrant which may not be the actual outcome e.g. MMJ decides to exercise the warrant prior to expiry.

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:**

- a) All information within this release is unaudited unless stated otherwise.
- b) The book value includes shares, convertible notes, options, loans and warrants.

## 8. 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. The Company had a negative Annual Profit of \$1.4m for the half year ended 31 December 2019 (i.e. excluding unrealised gains and losses on investments) and accordingly no dividend has been declared in respect of the half year.

**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>B2B</b>	Business to business
<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 usually at predetermined price.
<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>Warrant</b>	means an option to acquire a Share usually at predetermined price.
<b>WST</b>	means Western Standard Time as observed in Perth, Western Australia.