MMJ Group Holdings Limited

ABN 91 601 236 417

Annual Report - 30 June 2019

Contents

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	Suite 518, Level 5,
principal place of business	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
The Annual General Meeting of MMJ Group Holdings Limited will be held at:	
Venue:	
TIME:	2:00pm (AEST)
DATE:	Thursday, 28 November 2019
PLACE:	The office of the Automic Group Level 5, 126 Phillip Street Sydney NSW 2000
Nominations for directorships of MMJ	Nominations of persons intending to propose his or her nomination as a director of MMJ Group Holdings Limited have to be lodged at the registered office by 10 October 2019.

Chairman's letter

Dear Shareholders,

The 2019 financial year was a significant year of transformation for MMJ.

MMJ Group Holdings Limited (ASX: MMJ) ("MMJ" or "the Company") cemented its place as the only Australian-listed company that specialises in managing a portfolio of investments along the cannabis value-chain.

The Board is excited by the outlook of the Company as all of its investments are well positioned to participate in the significant growth expected in each of their market segments. Notably, our largest investment - Harvest One - is in the early stages of a turnaround with the appointment of Mr Grant Froese as Chief Executive in July 2018.

Since 30 June 2018 MMJ's post-tax net tangible assets (NTA[1]) had improved from 29 cents to 37 cents per share as at 30 June 2019. During the year MMJ returned 33.6% which compared favourably to its investment benchmark[2] of 7.8%.

The Board initiated a number of strategic initiatives to address the material discount of the share price to MMJ's NTA per share value including the implementation of the share buy-back and the dividend policy together with the approval by MMJ shareholders of the appointment of Embark Ventures as MMJ's asset manager.

Appointment of Embark Ventures

Embark Ventures Inc. (EBV or Embark) is part of the Embark Group which includes Embark Health Inc, a company in which MMJ holds an investment of $3.7m. One of the principals of Embark is Michael Curtis, who is a non-executive director of MMJ and holds approximately 16% of Embark Ventures Inc. and 13% of Embark Health issued capital respectively.

The MMJ Board believes that MMJ should center its asset management resource based in Canada to better manage the existing portfolio and access new investment opportunities as we expect the majority of MMJ's investment portfolio to be located in North America. The terms of the appointment of Embark are a cost-effective way to ramp up MMJ's investment operations in the medium term without adding material fixed costs to MMJ's cost structure.

The appointment adds to MMJ's strong market and financial discipline in identifying opportunities and bottlenecks in the cannabis value-chain in markets and acting quickly

The appointment of Embark came after an invitational tender and negotiation over several months. The MMJ Board determined that the new operating structure will allow:

- Access to new investment opportunities including unlisted investments;
- Add material value to existing investments;
- Minimise its fixed cost structure;
- Secure a meaningful investment presence in MMJ's key investment market – North America.

The appointment of Embark addressed these business objectives in a short period of time. The appointment of Embark removed the immediate need to appoint a replacement chief executive officer as MMJ will have access to Embark's full investment team including Bruce Dawson-Scully, Michael Curtis and Mohan Nair in Toronto.

This contribution shall include, but not be limited to, assistance with deal sourcing, due diligence, deal negotiation, investment structuring, portfolio company monitoring and reporting, and representing MMJ on boards at portfolio companies.

The MMJ Board will continue to be responsible for all investment decisions in respect of MMJ's investment portfolio.

---

[1] Net Tangible Asset Value per share – net tangible assets per share before tax on unrealised gains on investment portfolio
[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

Embark are required to give MMJ priority to invest in opportunities that fit the criteria set out in the MMJ Fund Investment Policy[3].

On market share buyback

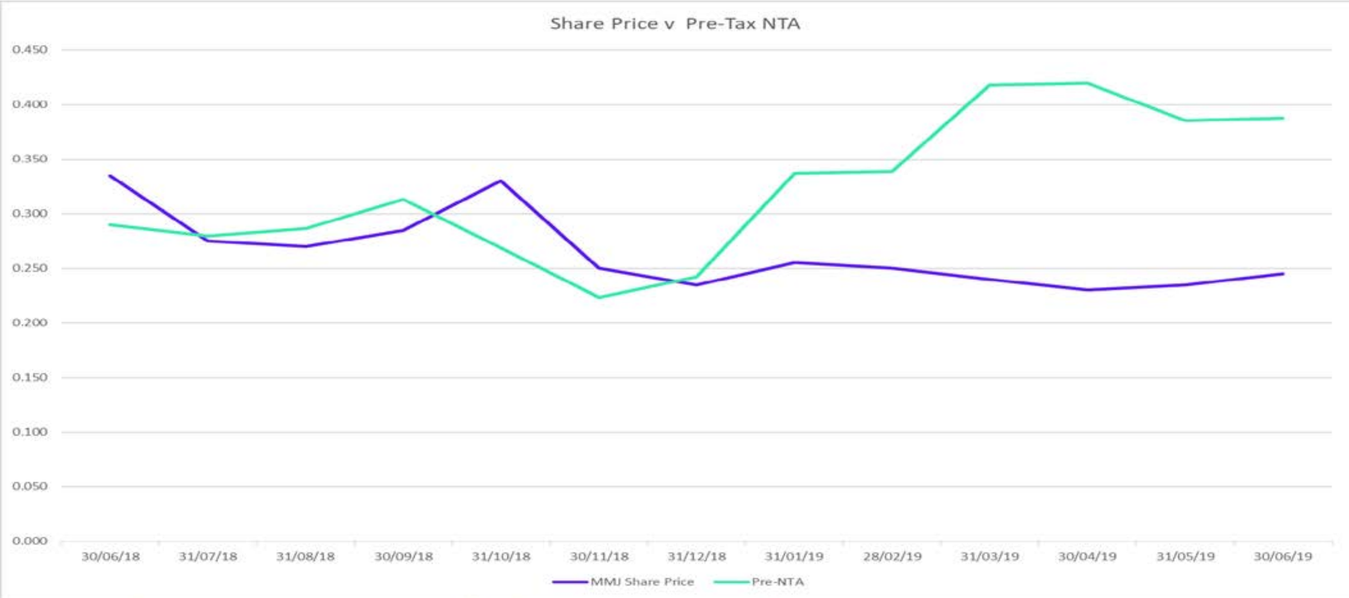
On 7 June 2019 MMJ announced an on-market buy-back of up to 10m MMJ ordinary shares over the next 12 months ('buy-back') as part of its active approach to capital management. In managing its investment portfolio and asset allocation, the Company is continually monitoring its investments and new investment opportunities in the cannabis sector.

Understanding the portfolio and noting the discount that the Company's shares are trading to the net asset value per share of its investment portfolio, the Board have determined that an on-market buyback of MMJ shares is a meaningfully value accretive use of its funds.

The buy-back is from existing cash reserves and is expected to enhance shareholder returns. MMJ commenced buying its shares on 27 June 2019.

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

Graph One



The MMJ Board sees a positive outlook for MMJ's investment portfolio with further business development announcements across MMJ's portfolio in the coming months. One of the Board's key aims is for the share price to trade at a premium to NAV given the potential returns from our portfolio companies.

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.

MMJ has a robust corporate cash balance and a portfolio that includes a majority of liquid investments.

[3] Refer MMJ website

I would like to take this opportunity to thank our shareholders for their support over the past 12 months.

The Board appreciates your loyalty and support and we remain committed to delivering value for all shareholders.

Finally, I also want to thank our executive management team for their focus and effort in completing the heavy lifting required to transform MMJ into a Listed Investment Company with an exciting future.

Yours Sincerely,

Peter Wall
Chairman

MMJ objectives and investment process

About MMJ - the premier publicly-listed cannabis investment vehicle in Australia

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

The Company has a proven track record in acquiring and realising significant value from its cannabis and hemp related investments.

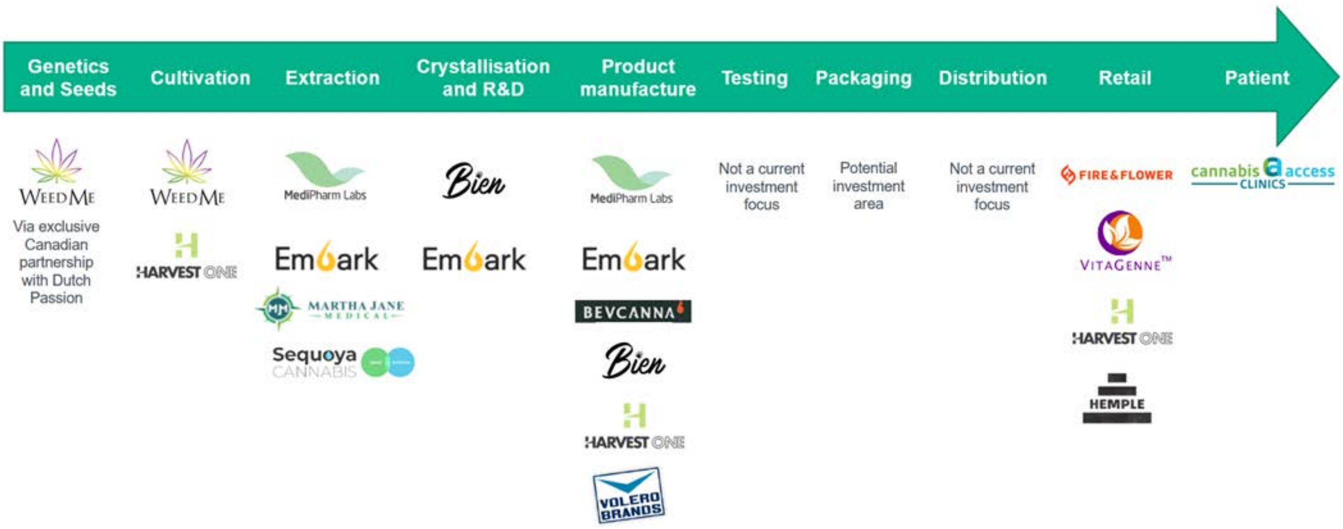
One of the Board's key aims is for the share price to trade at a premium to Net Asset Value given the potential returns from portfolio companies which include investments in private cannabis and hemp businesses which are on a short path to public listing or sale of the business.

MMJ provides its shareholders with:

a) An established portfolio of investments - primarily by securing investments in private cannabis businesses and participating in book-building for capital raisings which are not generally available to Australian retail and institutional investors.
b) A track record of strong market and financial discipline identifying opportunities and bottlenecks in the cannabis value-chain in markets and acting quickly.
c) Significant leverage to the success of MMJ's largest investment in the strategic 26% shareholding in Harvest One Cannabis which is a global cannabis company that develops health and wellness products.
d) The benefits of an investment origination network that has provided access to investments in businesses capitalising on opportunities in Australia, Canada, United States of America, and Europe, which are large and growing recreational and medicinal markets.
e) A strategic relationship with Embark Ventures, MMJ's specialist management company, which manages MMJ's portfolio of investments.

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

Capital allocation is biased towards potential market leaders, consolidators and takeover targets:



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

MMJ Investment management governance

MMJ has developed an appropriate, documented, and regularly updated due diligence process when investing in cannabis and hemp assets according to the investment strategy, objectives, and risk profile of MMJ.

The Board of MMJ has decided to engage Embark Ventures Inc. (Embark) to manage its cannabis and hemp investments. MMJ is responsible for approval of management decisions of the portfolio subject to certain authorities being delegated to Embark Ventures.

The MMJ due diligence process is supported by MMJ documents that govern the day-to-day management of MMJ including decision authorities, risk management policies and standards, performance standards and reporting protocols. Investment Policy details the components of the MMJ investment process for cannabis and hemp investments.

Investment process of MMJ – Global Cannabis Sector Investments

Investment approval

The Board of MMJ is at all times responsible for MMJ's investments, including formulating, reviewing regularly and giving effect to an investment strategy that has regard to, amongst other things, whether reliable valuation information is available in relation to the investments.

The MMJ Board is responsible for setting MMJ’s valuation policy and procedures and has delegated responsibility to MMJ management for overseeing its implementation.

The MMJ Board is the final approval level for acquisition and sale of investments proposals.

Embark Ventures has a responsibility for origination, execution, management and exit of MMJ’s cannabis investments.

Investment proposals which involve exercise of rights attached to investments are subject to the delegations by the Board.

Board approval is required where a related party transaction is proposed.

Investment Approval Process

The Company has adopted an investment approval process which is based on current MMJ practice and the terms of the investment management agreement with Embark Ventures (EBV) which commenced effective operation on 1 June 2019. The following section outlines the nature and processes of a generic investment approval process.

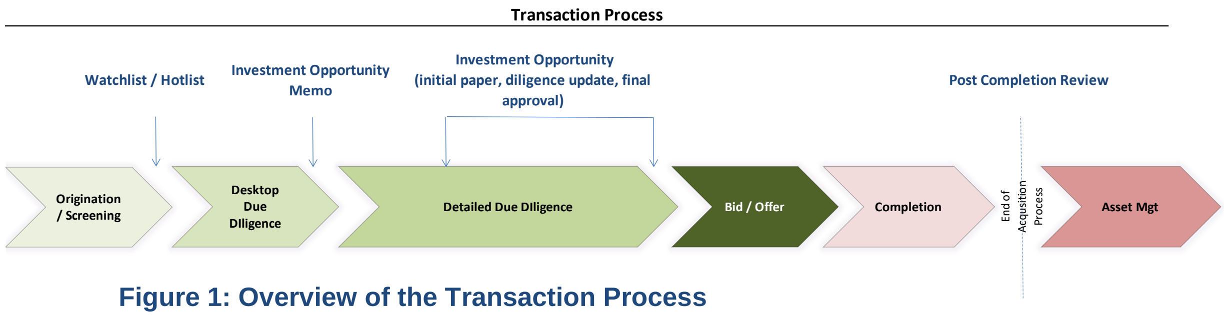


Figure 1: Overview of the Transaction Process

MMJ Investment Policy

The Company has developed an investment policy which details portfolio constraints which must be satisfied at the date that the Company enters documentation obliging it to acquire an individual investment. This policy is subject to periodic review by the Board of the Company time to time, to reflect market conditions, risk profiles, investment opportunities and the size of the Company.

The Investment Policy of MMJ is detailed in the following table:

Portfolio Guidelines	Explanation
Investment Objective	The investment objective of MMJ is to realise positive returns on its investments regardless of the underlying movement in value of the investment markets and generate strong risk adjusted returns for shareholders over the medium to long term, whether by way of capital growth and or regular income from interest, dividends, fees or profit from realisation on asset sales.
Definition of Cannabis Assets	Cannabis Assets include a project, entity, or business involving emerging cannabis sector leaders in healthcare products, technology, infrastructure, logistics, processing, cultivation, equipment and retail.
Target Geographies	Investments in jurisdictions such as Australia, Canada, Europe and the United States
Percentage ownership of a Cannabis Asset	It is intended that the Company's principal activities will consist of making investments in listed or unlisted securities and derivatives in companies involved in the cannabis industry where the MMJ Board perceives there to be material upside potential. These investments will be passive or non-controlling, the Company's objectives and investment strategy will not include the exercise of control over these entities or the business of these entities.
Excluded Cannabis Assets	Federally-illegal jurisdictions such as the US
Single Risk Limit	None
Size of investments	Investment size of between AUD0.5m to AUD5m
Minimum and maximum number of investments	There will be no minimum or maximum number of investments in the Company's investment portfolio, however more or less may be held depending on the number of suitable investments identified that are expected to meet performance expectations.
Target Returns for Cannabis Assets	Targeting 2-3x multiple on invested capital (MOIC) in 1-2-year time horizon
Asset Leverage Guidelines	None
Investment Period Length	1-2 years

Our Investment Manager -Strategic Relationship with Embark Ventures

The MMJ Board believes that MMJ should centre its asset management resource in Canada to better manage the existing portfolio and access new investment opportunities as we expect the majority of MMJ's investment portfolio to be located in North America. In order to realise this objective MMJ appointed Embark Ventures ("**Embark**") in June 2019 to act as asset manager of MMJ's cannabis and hemp investment portfolio. This management agreement will provide strong alignment of the interests of MMJ and Embark and should produce superior investment returns to shareholders.

One of the principals of Embark is Michael Curtis, who is a non-executive director of MMJ and holds approximately 16% of Embark Ventures and holds 13% of Embark Health issued capital respectively.

MMJ Board has determined that the new operating structure will allow:

- Access to new investment opportunities including unlisted investments
- Add material value to existing investments
- Minimise its fixed cost structure
- Secure a meaningful investment presence in MMJ's key investment market – North America

The appointment of Embark will address these business objectives in a short period of time. The appointment of Embark provides MMJ with access to Embark's full investment team including Bruce Dawson-Scully, Michael Curtis and Mohan Nair in Toronto. This contribution shall include assistance with deal sourcing, due diligence, deal negotiation, investment structuring, portfolio company monitoring and reporting, and resourcing any MMJ representation on boards at portfolio companies.

Embark is required to give MMJ priority to invest in opportunities that fit the criteria set out in the MMJ Fund Investment Policy.

The MMJ board continues to be responsible for the all investment decisions.

The key terms of the agreement with Embark are detailed on page 80 of the Annual Report.

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 Company or “parent entity”) and the entities it controlled (“the Group”) at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of MMJ Group Holdings Limited during the financial 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) (Appointed 8 January 2019)

Principal activities

MMJ’s focus and strategies are those 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.

Dividends

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

Review of operations

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $21.6m (30 June 2018: $5.1m). During the year the net tangible asset backing per share increased from 28.6 cents as at 30 June 2018 to 37.18 cents as at 30 June 2019.

The operating revenues, expenses and cash flow of the MMJ consolidated entity in the financial year ended 30 June 2018 include the operating results of Harvest One for the eight months ended 28 February 2018. The operating revenues, expenses and cashflows of the MMJ consolidated entity for the year ended 30 June 2019 now reflect the operations of MMJ which operates as an investment entity for financial reporting purposes comprising:

i. Revenue – 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

a) Significant Acquisitions

During the year the Company acquired the following investments:

i. CAD[4]2.65m investment in privately-held Embark Health Inc (“Embark”) – Canadian based extractor of THC[5], CBD[6], and CBG[7] servicing Canada’s medical and recreational cannabis markets
ii. USD1m investment in privately-held Vitagenne Inc (“Vitagenne”) – a USA based is a hemp-derived cannabidiol (CBD) product company focused on providing health and wellness goods in the United States
iii. AUD1m investment in privately held Trichomia Pty Limited (“Trichomia”), the owner of the “Hemple” and “Soul Seed” hemp foods brands
iv. CAD2.5m in privately held Volero Brands Inc. (“Volero”) – Canadian based manufacturer of the Flyte brand of vape pens and cartridges.

[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.

The Company also made a minor follow-on investment in BevCanna Inc.

b) Significant Divestment of Investments

During the year the Company made the following divestments:

i. PhytoTech Therapeutics Limited ("PhytoTech") - On 25 June 2018, the Company announced it had entered into a binding share sale agreement ("SSA") pursuant to which it conditionally agreed to sell its wholly-owned subsidiary PhytoTech Therapeutics Ltd ("PTL") to Harvest One Cannabis Inc. (TSXV: HVT) ("HVT") for a total consideration of CAD8 million ("Disposal"). The Disposal was completed on 20 November 2018 following necessary shareholder and regulatory approvals required to undertake the Disposal

ii. Harvest One Cannabis - The Company sold Harvest One shares for net proceeds of CAD3.5m. The Company currently holds 55m shares representing 26% of HVT

iii. Medipharm Labs - The Company sold shares for net proceeds of CAD30.7m for a pretax profit of CAD23.3m

c) Listing of the Company's Investees

Since 1 July 2018, the following of the Company's investees completed public listing on Canadian stock exchanges:

i. Medipharm Labs (listed October 2018)
ii. Fire & Flower (listed February 2019)
iii. BevCanna (listed July 2019)

d) Key Management Changes

Key management changes during the period which reflected the change in focus to investment entity were:

i. Michael Curtis was appointed a non-executive director on 8 January 2019
ii. Jason Conroy resigned as Chief Executive Officer effective 1 March 2019
iii. The Company's Chief Operating Officer's position held by Catherine Harvey was made redundant with effect on 13 July 2018.

e) Appointment of Investment Manager

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

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

Financial Position

The net assets of the consolidated entity increased during the financial year as a result of profit after tax of $21.6m arising from realised and unrealised gains.

Cash holdings for the consolidated entity have increased by $25m to $26.4m as a result of the sale of 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.

The Company changed its name to "MMJ Group Holdings Limited" following shareholder approval on 5 October 2018.

On 5 October 2018 the Company's shareholders approved:

a) The sale of PhytoTech Therapeutics Limited (PTL) to Harvest One Cannabis Inc (HVT)
b) The relisting of the Company as an investment entity as defined in the ASX Listing Rules (Investment Entity) and this constitutes a change in the nature of the Company's activities pursuant to ASX Listing Rule 11.1 whereby an "Investment Entity" is one whose principal activities relate to investing in listed or unlisted securities and whose objectives do not include exercising control over or managing any entity, or the business of any entity, in which it invests
c) The change of the name of the Company to "MMJ Group Holdings Limited"
d) The Company issuing 1,000,000 Options to Mr. Douglas Halley who is a director of the Company

On 20 November 2018 the Company completed the sale of PTL to HVT receiving consideration of 8,326,695 fully paid ordinary shares in HVT (HVT Shares) and CAD1m in cash.

On 22 November 2018 the Company relisted as an investment entity on the ASX as defined in the ASX Listing Rules (Investment Entity) whereby an "Investment Entity" is one whose principal activities relate to investing in listed or unlisted securities and whose objectives do not include exercising control over or managing any entity, or the business of any entity, in which it invests.

On 19 December 2018 the Company announced that MMJ's Board of Directors ("Board") decided to take the opportunity to announce the intention to launch a share purchase plan, subject to MMJ shareholder approval. On 22 February 2019 the Company's shareholders approved:

a) The issue of a share purchase plan (SPP) to raise up to $10m
b) The placement of any shortfall arising from the SPP
c) The Company issuing 1,000,000 Options to Mr. Michael Curtis who is a director of the Company

Subsequently MMJ announced the cancellation of its proposed equity raising through the SPP as MMJ took advantage of the improvement in Canadian listed cannabis markets by realising some investments to increase its cash reserves for future investment and in the same period, the discount of the MMJ share price to its net asset value materially increased. Accordingly the Board did not consider an equity raising, at that time, to be in the best interests of shareholders.

On 15 April 2019 MMJ announced the proposed appointment of Embark Ventures (EBV) as manager of MMJ's investments. On 7 June 2019 MMJ advised that MMJ had executed an investment management agreement (IMA) with EBV which became effective following MMJ shareholder approval on 19 July 2019 of:

a) The appointment of EBV under the terms of the IMA; and
b) The issue of 12,000,000 MMJ performance rights to EBV as part of EBV's remuneration structure.

One of the directors and shareholders of EBV is Michael Curtis, who is a non-executive director of MMJ and is also a director and shareholder of one of MMJ's investees, Embark Health Inc.

The MMJ Board believes that MMJ should center its asset management resource based in Canada to better manage the existing portfolio and access new investment opportunities as we expect the majority of MMJ's investment portfolio to be in North America. The terms of the appointment of EBV are a cost-effective way to ramp up MMJ's investment operations in the medium term without adding material fixed costs to MMJ's cost structure.

The appointment of Embark Ventures as asset manager allowed the Board to suspend the need to appoint a new chief executive officer. MMJ's current Chief Financial Officer and Company Secretary is responsible for the operational aspects of the business including investor relations. The Board remains responsible for review and approval of investment proposals provided by Embark.

On 7 June MMJ announced two capital management initiatives:

a) An on-market buy-back of up to 10m MMJ ordinary shares over the next 12 months ('buy-back') as part of its active approach to capital management. In managing its investment portfolio and asset allocation, the Company is continually monitoring its investments and new investment opportunities in the cannabis sector. Understanding the portfolio and noting the discount that the Company's shares are trading to the net asset value per share of its investment portfolio, the Board have determined that an on-market buyback of MMJ shares is a meaningfully value accretive use of its funds. The buy-back is from existing cash reserves and is expected to enhance shareholder returns.

b) 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.

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

Matters subsequent to the end of the financial year

On 7 June 2019 MMJ executed an investment management agreement (IMA) with EBV. The IMA became effective on 19 July 2019 following MMJ shareholders' approval of:

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

No other matter or circumstance has arisen since 30 June 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.

Information on directors

Name:	**Peter Wall**
Title:	Non-Executive Chairman LLB BComm MAppFin FFin
Experience and expertise:	Peter is a corporate lawyer and has been a Partner at Steinepreis Paganin (Perth based corporate law firm) since July 2005 and has a wide range of experience in all forms of commercial and corporate law, with a particular focus on medical cannabis, resources (hard rock and oil/gas), equity capital markets and mergers and acquisitions. He also has significant experience in dealing in cross border transactions.
Qualifications:	Peter graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA.
Other current ASX directorships	• Non-Executive Chairman of Minbos Resources Ltd (appointed 21 February 2014) • Non-Executive Chairman of MyFiziq Ltd (appointed 25 May 2015) • Non-Executive Chairman of Transcendence Technologies Limited (appointed 6 October 2015) • Non-Executive Chairman of Pursuit Minerals Limited (previously Burrabulla Corporation Limited) (appointed 13 January 2016) • Non-Executive Chairman of Argent Minerals Ltd (appointed 23 April 2018)
Former ASX listed directorships (last 3 years):	• Zinc of Ireland NL (resigned 21 July 2016) • Ookami Limited (resigned January 2018) • Activistic Ltd (resigned 23 April 2018) • Zyber Holdings Limited (resigned 22 January 2018) • Sky & Space Global Ltd (resigned 4 December 2018) • Mandrake Resources Limited (resigned 5 August 2019)
Interests in shares:	8,600,000 fully paid ordinary shares
Interests in options:	Nil
Interests in performance rights:	Nil

Name:	**Winton Willesee**
Title:	Independent Non-executive Director BBus., DipEd., PGDipBus., MCom., FFin, CPA, GAICD, FGIS/FCIS
Experience and expertise:	Winton is an experienced company director. Winton brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. He has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects.
Qualifications:	Winton holds formal qualifications in economics, finance, accounting, education and governance. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors, a Member of CPA Australia and a Fellow of the Governance Institute of Australia/Chartered Secretary.
Other current ASX directorships:	Non-Executive Director Nanollose Limited (ASX: NC6) Executive Chairman of New Zealand Coastal Seafood Limited (ASX:NZS) Non-Executive Director Neurotech International Limited (ASX: NTI)
Former ASX listed directorships (last 3 years):	• Chairman of Metallum Ltd (now Kopore Metals Limited (ASX: KMT) (Resigned on 8 November 2017) • Chairman of Ding Sheng Xin Finance Co Limited (ASX:DXF) (delisted 15 May 2018) • Non-Executive Chairman of Mail Lithium (ASX: BGS) (resigned 22 March 2017) • Non-Executive Director of DroneShield Limited (ASX:DRO) (resigned 24 January 2017)
Interests in shares:	1,500,000 fully paid ordinary shares
Interests in options:	Nil
Interests in performance rights:	Nil

Name:	**Doug Halley**
Title:	Non-Executive Director (appointed 16 March 2018) BCom (UNSW), MBA (UNSW), FAICD
Experience and expertise:	Doug is an experienced company director and has also served for over 30 years as CFO or CEO in a number of significant and successful (mostly publicly-listed) commercial enterprises and investment banks. His executive experience had a heavy emphasis in corporate strategy, treasury, financial management, M&A and business development. As a professional director Doug has developed risk management and governance expertise. He has a strong background in IPO and start-ups and a reputation for innovation, perseverance and achieving solutions and results.
Qualifications:	Doug has a Bachelor of Commerce, Master of Business Administration and is a Fellow of the Australian Institute of Company Directors.
Other current ASX directorships:	Freedom Insurance Group Ltd
Former ASX listed directorships (last 3 years):	• Duet Investment Holdings Ltd, DUET Company Limited and DMC1 Limited (resigned May 2017)
Interests in shares:	230,000 fully paid ordinary shares
Interests in options:	1,000,000 Options
Interests in performance rights:	Nil

Name:	**Michael Curtis**
Title:	Non-Executive Director (appointed 8 January 2019) B.Sciences, MBA
Experience and expertise:	Michael has a Master of Business Administration, University of New Brunswick, Major: International Finance and a Bachelor of Sciences (Honors), McMaster University.
Qualifications:	Michael has a Master of Business Administration, University of New Brunswick, Major: International Finance and a Bachelor of Sciences (Honors), McMaster University.
Other current ASX directorships:	NIL
Former ASX listed directorships (last 3 years):	NIL
Interests in shares:	NIL
Interests in options:	1,000,000 Class M Options ($0.33, 04/04/2019)
Interests in performance rights:	NIL

Other current directorships and former directorships (last three years) quoted above are directorships for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

Information on Company Secretary

Mr Jim Hallam
Company Secretary and Chief Financial Officer (appointed as Company Secretary on 22 June 2018)
BEc, ACIS/ACSA/MAICD

Jim has 20 years of experience in the investment management industry with alternative asset fund managers in Australia and overseas including Hastings Funds Management and Annuity Australia. Jim’s roles include acting as responsible manager, investment manager and CFO within alternative asset fund managers.

He has a Bachelor of Commerce (Economics), is a member of the Chartered Accountants Australia and New Zealand and a Fellow of the Governance Institute of Australia.

Meetings of directors

The number of meetings of the company's Board of Directors (“the Board”) held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Board Meetings		**Audit and Risk**	
Directors	**Number of Meetings Eligible to Attend**	**Number Attended**	**Number of Meetings Eligible to Attend**	**Number Attended**
Peter Wall	5	5	2	2
Winton Willesee	5	5	2	2
Doug Halley	5	5	2	2
Michael Curtis	3	3	n/a	n/a

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the Key Management Personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

For the purposes of this remuneration report, Key Management Personnel includes the following directors and senior executives who were engaged by the Company at any time during the year ended 30 June 2019:

(i) Non-Executive Directors

Mr Peter Wall Non-Executive Chairman (appointed 14 August 2014)
Mr Winton Willesee Non-Executive Director (appointed 21 October 2014)
Mr Doug Halley Non-Executive Director (appointed 16 March 2018)
Mr Michael Curtis Non-Executive Director (appointed 8 January 2019)

(ii) Key Management Personnel

Mr Jason Conroy CEO – MMJ Group Holdings Limited (resigned 1 March 2019)
Mr Jim Hallam CFO – MMJ Group Holdings Limited (appointed 3 April 2018)

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to Key Management Personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally.

The principles underpinning the consolidated entity’s remuneration policy are that:
- Reward reflects the competitive global market in which we operate
- Rewards to executives are linked to creating value for shareholders
- Remuneration arrangements are equitable and facilitate the development of senior management across the consolidated entity
- Where appropriate, senior managers may receive a component of their remuneration in appropriately structured equity securities to align their interests with those of the shareholders

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate.

Non-Executive Directors' remuneration
Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The maximum aggregate remuneration approved for Non-Executive Directors is currently $500,000.

It is recognised that Non-Executive Directors' remuneration is ideally structured to exclude equity-based remuneration. However, whilst the Company remains small and the full Board, including the Non-Executive Directors, are included in the operations of the Company more closely than may be the case with larger companies the Non-Executive Directors are entitled to participate in equity-based remuneration schemes subject to shareholder approval.

All Directors are entitled to have their indemnity insurance paid by the Company.

Executive remuneration
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The Company's remuneration policy for Executive Directors and senior management is designed to promote superior performance and long-term commitment to the Company. Executives receive a base remuneration which is market related and may be entitled to performance-based remuneration at the ultimate discretion of the Board.

Overall remuneration policies provide a framework and quantum scale for remuneration whilst being subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is deemed by the Board to be in the interests of the Company and shareholders to do so.

Executive remuneration and other terms of employment are reviewed regularly by the Board having regard to performance, relevant comparative information and expert advice.

The Company's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company.

The executive remuneration and reward framework has four components:
- Salary - Executive Directors and senior managers receive a sum payable monthly in cash
- Bonus - Executive Directors and certain senior managers are eligible to participate in a bonus or profit participation plan if deemed appropriate
- Long term incentives - Executive Directors may participate in share option/performance right schemes with the prior approval of shareholders. Other senior executives may also participate in employee share option/performance right schemes at the discretion of the Board
- Other benefits - Executive Directors and senior managers are eligible to participate in superannuation schemes and other appropriate additional benefits

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ("STI") program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ("KPI's") being achieved. KPI's include profit contribution, leadership contribution and product management.

The long-term incentives ("LTI") include share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors. Executive Directors may participate in share option/performance right schemes with the prior approval of shareholders. Other senior executives may also participate in employee share option/performance right schemes at the discretion of the Board.

Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board. Refer to the section below for details of the earnings and total shareholders return for the last four years.

The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

	2019 $'000	**2018 $'000**	**2017 $'000**	**2016 $'000**	**2015 $'000**
Total revenue	33,642	(9,568)	122	292	48
Profit/(loss) before income tax	30,914	1,656	(14,144)	(14,699)	(4,882)
Income tax expense	(9,294)	(466)	-	-	-
Profit/(loss) after income tax	21,620	1,190	(14,144)	(14,699)	(4,882)

The factors that are considered to affect total shareholders return ("TSR") are summarised below:

	2019	2018	2017	2016	2015
Share price at start of financial year ($)	0.34	0.33	0.25	0.32	0.42
Share price at end of financial year ($)	0.25	0.34	0.33	0.25	0.32
Basic earnings per share (cents per share)	9.40	2.40	(6.71)	(10.67)	(16.30)
Diluted earnings per share (cents per share)	9.40	2.30	(6.71)	(10.67)	(16.30)

Hedging of securities

In accordance with the Group's general share trading policy and employee share plan rules, participants are prohibited from engaging in hedging arrangements over unvested securities issued pursuant to any employee or director share plan, without prior approval of the Board.

Use of remuneration consultants
The Board may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently of the fees of other Non-Executive Directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Voting and comments made at the Company's 2018 Annual General Meeting ("AGM")
At the 2018 AGM, 77.56% of the proxy votes cast at that meeting were in favour of the adoption of the remuneration report for the year ended 30 June 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Details of the remuneration of Key Management Personnel of the consolidated entity are set out in the following tables.

	MMJ							
	Short-term benefits			Post-employment benefits	Long-term benefits		Share based payments	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super contribution	annual and long service leave	Termination	Equity settled	Total
2019	$	$	$	$	$	$	$	$
Non-Executive Directors:								
Mr Peter Wall	72,000	-	-	-	-	-		72,000
Mr Winton Willesee	54,000	-	-	-	-	-		54,000
Mr Doug Halley	61,675	-	-	4,846	-	-	33,151	99,672
Mr Michael Curtis	21,484						42,274	63,758
Other Key Management Personnel:								
Mr Jason Conroy	201,185	-	-	19,000	0	-	(189,973)	30,212
Mr Jim Hallam	228,310	-	-	21,689	18,175	-	88,121	356,296
	638,654	0	0	45,535	18,175	0	(26,426)	675,938

Jason Conroy resigned as Chief Executive Officer on 1 March 2019. Share based payments for Jason Conroy are negative due to reversal on cessation of employment.

2018	MMJ Parent (1 July 2017 – 30 June 2018)							HVT (1 July 2017 – 28 February 2018)[1]				
	Short-term benefits			Post-employment benefits	Long-term benefits		Share based payments	Short-term benefits			Share based payments	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super contribution	annual and long service leave	Termination	Equity settled	Cash salary and fee	Cash bonus	Termination	Equity settled	Total
	$	$	$	$	$	$	$	$	$	$		$
Non-Executive Directors:												
Mr Peter Wall	56,000	-	-	-	-	-	2,115,000	40,641	-	-	132,196	2,343,837
Mr. Winton Willesee	42,000	-	-	-	-	-	709,585	-	-	-	-	751,585
Mr. Doug Halley	15,284	-	-	1,366	-	-	81,621	-	-	-	-	98,271
Mr. Jason Bednar[2]	25,493	-	-	-	-	-	730,562	24,385	-	-	94,425	874,865
Mr. Will Stewart	-	-	-	-	-	-	-	24,385	-	-	84,983	109,368
Executive Directors:												
Mr. Andreas Gedeon[3]	44,000	-	-	-	-	-	2,115,000	179,498	-	-	566,555	2,905,053
Other Key Management Personnel:												
Mr. Jason Conroy	103,462	-	-	9,829	6,052	-	189,973	-	-	-	-	309,316
Mr. Jim Hallam	54,284	-	-	24,157	1,365	-	3,621	-	-	-	-	83,427
Ms Catherine Harvey	235,000	-	-	22,325	9,897	-	164,589	-	-	-	-	431,811
Ms Lisa Dea	17,921	-	-	-	-	-	558,000	135,470	203	-	113,311	824,905
Mr Graham Whitmarsh[4]	-	-	-	-	-	-	-	110,200	-	113,639	109,179	333,018
Ms Daniela Vaschi	-	-	-	-	-	-	4,059	94,829	203	-	94,425	193,516
Mr Nick Maltchev	-	-	-	-	-	-	-	111,763	203	-	113,311	225,277
Dr Daphna Heffetz	153,278	-	21,322	27,274	-	5,737	15,350	-	-	-	-	222,961
Mr Stan Sologubov	-	-	-	-	-	-	91,247	141,836	-	-	-	233,083
	746,722	-	21,322	84,951	17,314	5,737	6,778,607	863,007	609	113,639	1,308,385	9,940,293

[1]HVT remuneration disclosure is for the period between 1 July 2017 and 28 February 2018 (date of deconsolidation from MMJ PhytoTech Limited due to deemed loss of control).
[2]Mr Jason Bednar resigned on 16 March 2018.
[3]Andreas[3]Mr Andreas Gedeon resigned as Managing Director of MMJ and HVT on 26 February 2018 and 3 July 2018 respectively.
[4]Graham Whitmarsh resigned from Harvest One on 15 January 2018.

Details of remuneration

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI			
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
Non-Executive Directors:								
Mr Peter Wall	100%	4%	-	-	-	96%	100%	100%
Mr Winton Willesee	100%	6%	-	-	-	94%	100%	100%
Mr Doug Halley	67%	17%	-	-	33%	83%	100%	100%
Mr Michael Curtis	34%	-	-	-	66%	-	100%	-
Mr Will Stewart	-	22%	-	-	-	78%	-	100%
Mr Jason Bednar	-	6%	-	-	-	94%	-	100%
Executive Directors:								
Mr Andreas Gedeon	-	8%	-	-	-	92%	-	100%
Other Key Management Personnel:								
Mr Jason Conroy	729%	39%	-	-	(629%)	61%	100%	100%
Mr Jim Hallam	75%	96%	-	-	25%	4%	100%	100%
Ms Catherine Harvey	-	62%	-	-	-	38%	-	100%
Dr Daphna Heffetz	-	19%	-	-	-	81%	-	100%
Ms Lisa Dea	-	67%	-	-	-	33%	-	100%
Mr Graham Whitmarsh	-	49%	-	-	-	51%	-	100%
Ms Daniela Vaschi	-	50%	-	-	-	50%	-	100%
Mr Nick Maltchev	-	93%	-	-	-	7%	-	100%
Mr Stan Sologubov	-	61%	-	-	-	39%	-	100%

Service agreements

Remuneration and other terms of employment for Key Management Personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Peter Wall
Title:	Non-Executive Chairman
Agreement commenced:	1-Sep-14
Term of agreement:	Effective from 1 September 2014
Details:	- Base Salary - MMJ Group Holdings Limited: AUD72,000

Name:	Mr Doug Halley
Title:	Non-Executive Director
Agreement commenced:	16-Mar-18
Term of agreement:	Effective from 16 March 2018
Details:	- Base Salary – AUD$54,000 per annum as Non-Executive Director; AUD$10,000 per annum as Chair of the Audit and Risk Committee. - 1,000,000 Options

Name:	Mr Winton Willesee
Title:	Non-Executive Director
Agreement commenced:	21-Oct-14
Term of agreement:	Effective from 21 October 2014
Details:	- Base Salary – AUD$54,000 per annum as Non-Executive Director

Name:	Mr Michael Curtis
Title:	Non-Executive Director
Agreement commenced:	8-Jan-19
Term of agreement:	Effective from 8 January 2019
Details:	- Base Salary – AUD$54,000 per annum as Non-Executive Director (ceased receiving director fees as at 1 June 2019 as part of terms of appointment of Embark Ventures); - 1,000,000 Options.

Name:	Mr Jason Conroy
Title:	Chief Executive Officer
Agreement commenced:	26-Feb-18
Term of agreement:	Effective from 26 February 2018 Resignation date 1 March 2019
Details:	- Base Salary - MMJ Group Holdings Limited: AUD $300,000 - Performance-based Incentives o Tranche 1: 2,000,000 performance rights vest immediately upon the 20-day VWAP of Shares on the ASX being at or above $0.60 (60 cents); o Tranche 2: 2,000,000 performance rights vest immediately upon the 20-day VWAP of Shares on the ASX being at or above $0.80 (80 cents); o Tranche 3: 2,000,000 performance rights vest immediately upon the 20-day VWAP of Shares on the ASX being at or above $1.00 - Termination Benefit: 12 months

Name:	Mr Jim Hallam
Title:	Chief Financial Officer and Company Secretary
Agreement commenced:	3-Apr-18
Term of agreement:	Full time contract effective from 4 June 2018
Details:	- Base Salary - MMJ Group Holdings Limited: AUD $250,000 - Performance-based Incentives o Tranche 1: 833,333 performance rights vest immediately upon the 20-day VWAP of Shares on the ASX being at or above $0.60 (60 cents); o Tranche 2: 833,333 performance rights vest immediately upon the 20-day VWAP of Shares on the ASX being at or above $0.80 (80 cents); o Tranche 3: 833,334 performance rights vest immediately upon the 20-day VWAP of Shares on the ASX being at or above $1.00 - Termination Benefit: 3 months

Share-based compensation

Options

The terms and conditions of each grant of Options over ordinary Shares affecting remuneration of directors and other Key Management Personnel in this financial year or future reporting years are as follows:

Name	Grant date	Vesting condition	Expiry date	Exercise price	Fair value per Option at grant date	Option balance as at 30 June 2019
Mr Doug Halley	16 March 2018*	Subject to vesting conditions: 25% of the Options shall vest at the end of each of the four successive six-month periods following the date of issue.	24-Oct-21	$0.41	$0.16	1,000,000
Mr Michael Curtis	8 January 2019*	Subject to vesting conditions: 25% of the Options shall vest at the end of each of the four successive six-month periods following the date of issue.	3-Apr-22	$0.33	$0.11	1,000,000

The fair value of the Options was determined using the Black-Scholes option valuation methodology and applying the inputs below.

	Class L Options	Class M Options
Name	Mr Doug Halley	Mr Michael Curtis
Grant date	16/03/2018	8/01/2019
Exercise price	$0.41	$0.33
Expiry date	24-Oct-21	3-Apr-22
Risk-free rate	2.06%	1.87%
Volatility	80%	80%
Value per option	$0.16	$0.11

Options granted carry no dividend or voting rights.

There were no other Options over ordinary Shares granted to or vested by directors and other Key Management Personnel as part of compensation during the year ended 30 June 2019.

Performance rights

The terms and conditions of each grant of performance rights over ordinary Shares affecting remuneration of directors and other Key Management Personnel in this financial year or future reporting years are as follows:

Grant date	Class	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
2-Mar-18	Class H	1-Mar-20	2-Mar-23	$0.60	$0.35
2-Mar-18	Class I	1-Mar-21	2-Mar-23	$0.80	$0.23
2-Mar-18	Class J	1-Mar-22	2-Mar-23	$1.00	$0.15
15-Jun-18	Class H	1-Mar-20	26-Feb-23	$0.60	$0.13
15-Jun-18	Class I	1-Mar-21	26-Feb-23	$0.80	$0.06
15-Jun-18	Class J	1-Mar-22	26-Feb-23	$1.00	$0.03

Name	Class	Number of rights granted	Grant date	Vesting date and exercisable	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Mr Jason Conroy[2]	H	2,000,000	2-Mar-18	1-Mar-20	2-Mar-23	$0.60	$0.35
Mr Jason Conroy[2]	I	2,000,000	2-Mar-18	1-Mar-21	2-Mar-23	$0.80	$0.23
Mr Jason Conroy[2]	J	2,000,000	2-Mar-18	1-Mar-22	2-Mar-23	$1.00	$0.15
Mr Jim Hallam[3]	H	833,333	15-Jun-18	1-Mar-20	26-Feb-23	$0.60	$0.13
Mr Jim Hallam[3]	I	833,333	15-Jun-18	1-Mar-21	26-Feb-23	$0.80	$0.06
Mr Jim Hallam[3]	J	833,334	15-Jun-18	1-Mar-22	26-Feb-23	$1.00	$0.03

The performance rights were valued using a hybrid up and in single share price barrier model.

[2]The fair value of the Class H, I and J performance rights issued to Mr Jason Conroy was determined after applying the inputs below:

	Class H	**Class I**	**Class J**
Underlying share price	$0.46	$0.46	$0.46
Exercise price	Nil	Nil	Nil
20-Day VWAP barrier	$0.60	$0.80	$1.00
Valuation date	2-Mar-18	2-Mar-18	2-Mar-18
Vesting period (years)	3.99	3.99	3.99
Volatility*	30%	30%	30%
Risk-free rate	2.34%	2.34%	2.34%
Number of rights	2,000,000	2,000,000	2,000,000
Value per right	$0.35	$0.23	$0.15
Value per tranche	$702,000	$460,000	$294,000
Value expense for the period	$233,679	$102,082	$48,933

*This is VWAP specific volatility.

Note the performance rights issued to Jason Conroy lapsed upon his resignation prior to vesting.

[3]The fair value of the Class H, I and J performance rights issued to Mr Jim Hallam was determined after applying the inputs below:

	Class H	**Class I**	**Class J**
Underlying share price	$0.32	$0.32	$0.32
Exercise price	Nil	Nil	Nil
20-Day VWAP barrier	$0.60	$0.80	$1.00
Valuation date	15-Jun-18	15-Jun-18	15-Jun-18
Vesting period (years)	3.7	3.7	3.7
Volatility*	30%	30%	30%
Risk-free rate	2.13%	2.13%	2.13%
Number of rights	833,333	833,333	833,334
Value per right	$0.13	$0.06	$0.03
Value per tranche	$105,833	$52,500	$25,833
Value expense for the period	$61,807	$19,356	$6,959

*This is VWAP specific volatility.

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary Shares granted to and vested by directors and other Key Management Personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Number of rights granted during the year **30-Jun-19**	Number of rights granted during the year **30-Jun-18**	Number of rights vested during the year **30-Jun-19**	Number of rights vested during the year **30-Jun-18**
Mr Peter Wall	0	4,500,000	0	4,500,000
Mr Winton Willesee	0	1,500,000	0	1,500,000
Mr Jason Bednar	0	1,500,000	0	1,500,000
Mr Andreas Gedeon	0	4,500,000	0	4,500,000
Mr Jason Conroy	0	6,000,000	0	0
Mr Jim Hallam	0	2,500,000	0	0

Values of performance rights over ordinary Shares granted, vested and lapsed for directors and other Key Management Personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Value of rights exercised during the year	Value of rights granted during the year $	Value of rights vested during the year $	Value of rights forfeited during the year $	Remuneration consisting of rights for the year %
Mr Peter Wall	2,115,000	0	0	0	0%
Mr Winton Willesee	705,000	0	0	0	0%
Mr Jason Conroy*	0	0	384,695	(574,667)	0%
Mr Jim Hallam*	0	0	88,121	0	25%

*****Performance rights issued to Mr Jim Hallam did not vest as at 30 June 2019 and therefore cannot be exercised. Movement during the year relates to the accounting expense over the vesting period.

Additional disclosures relating to Key Management Personnel

Shareholding

The number of Shares in the company held during the financial year by each director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received on the exercise of Options/ performance rights	Additions	Balance at the end of the year
Ordinary Shares				
Mr Peter Wall	4,100,000	4,500,000	-	8,600,000
Mr Winton Willesee	-	1,500,000	-	1,500,000
Mr Doug Halley	-	-	230,000	230,000
Mr Michael Curtis				
	4,100,000	6,000,000	230,000	10,330,000

Option holding

The number of Options over ordinary Shares in the company held during the financial year by each director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Other changes during the period	Balance at the end of the year	Vested and exercisable	Unvested
Options over ordinary Shares							
Mr Winton Willesee	1,000,000	-	0	(1,000,000)	0	0	0
Mr Michael Curtis	0	1,000,000	0	0	1,000,000	0	1,000,000
Mr Doug Halley	1,000,000	0	0	0	1,000,000	250,000	750,000
	2,000,000	1,000,000	0	(1,000,000)	2,000,000	250,000	1,750,000

Performance rights holding

The number of performance rights over ordinary Shares in the company held during the financial year by each director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

Performance rights over ordinary Shares	Balance at the start of the year	Granted	Exercised	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
Mr Peter Wall	4,500,000		(4,500,000)	-	0	0	0
Mr Winton Willesee	1,500,000		(1,500,000)	-	0	0	0
Mr Jason Conroy	6,000,000		-	(6,000,000)	0	0	0
Mr Jim Hallam	2,500,000		-	-	2,500,000	0	2,500,000
	14,500,000	0	(6,000,000)	(6,000,000)	2,500,000	0	2,500,000

Mr Jason Conroy resigned as Chief Executive on 1 March 2019. The other changes column represents performance rights balance as at the date of resignation.

Other transactions with Key Management Personnel and their related parties

	2019 $	2018 $
Director fees paid:		
Director fees paid to Peregrine Consulting Ltd, an entity related to Mr Andreas Gedeon	0	188,473
Director fees paid to Azalea Consulting Pty Ltd, an entity related to Mr Winton Willesee	54,000	42,000
Director fees paid to Mr Jason Bednar	0	49,878
Director fees paid to Mr Doug Halley	66,521	15750
Directors fees paid to Bella Holdings, an entity related to Mr Michael Curtis	21,484	0
Director fees paid to Pheakes Pty Ltd, an entity related to Mr Peter Wall	72,000	96,641
Director fees paid to Greenline Holdings Pty Ltd, an entity related to Mr Andreas Gedeon	0	44,000
Investment management fees paid to Embark Ventures, an entity related to Mr Michael Curtis	28,394	0

During the reporting period, the consolidated entity engaged the services on the following related-parties on normal commercial terms and conditions no more favourable than those available to other parties:

Steinepreis Paganin, an entity associated with Mr Peter Wall, received payments totalling $301,496 in relation to legal services provided to the consolidated entity. As at 30 June 2019, $30,793 was payable to Steinepreis Paganin by the consolidated entity.

Azalea Consulting Pty Ltd, an entity associated with Mr Winton Willesee, received payments totalling $10,567 in relation to front office administration and company secretarial services provided to the consolidated entity.

As at 30 June 2019, $28,394 was payable by the consolidated entity to Embark Ventures Inc., an entity associated with Mr Michael Curtis, in relation to investment management services provided to the consolidated entity. The consolidated entity also entered into an agreement to grant 12,000,000 performance rights to Embark Ventures Inc., which were approved by shareholders on 19 July 2019. The fair value of the performance rights have been determined using the share price at grant date of $0.29. The share-based payment expensed recognised in relation to these performance rights for the financial year ended 30 June 2019 is $59,703.

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	30-Jun-19 $	30-Jun-18 $
Current Payables:		
Amount owing to Pheakes Pty Ltd, an entity related to Mr Peter Wall	0	0
Amount owing to Steinepreis Paganin, an entity associated with Mr Peter Wall	30,793	51,000
Amount owing to Azalea Consulting Pty Ltd, an entity related to Mr Winton Willesee	4,950	0
Amount owing to Mr Jason Bednar	0	0
Amount owing to Mr Doug Halley	0	900
Amount owing to Bella Holdings, an entity related to Mr Michael Curtis	0	0
Amount owing to Embark Ventures Inc. an entity related to Mr Michael Curtis	28,394	0

At 30 June 2019, the consolidated entity also held investments in the following investees, which have directors in common with the consolidated entity:

a) Harvest One Cannabis Inc. – Peter Wall is a director of Harvest One Cannabis Inc.
b) Weed Me Inc. – Peter Wall is a director of Weed Me Inc.
c) Embark Health, Inc. – Michael Curtis is a director and shareholder of Embark Health, Inc.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary Shares of MMJ Group Holdings Limited under option at the date of this report are as follows:

Issue date	Class	Expiry date	Exercise price	Number under option
22-Apr-16	K	31-Oct-21	$0.35	1,500,000
24-Oct-18	L	24-Oct-21	$0.41	1,000,000
3-Apr-19	M	3-Apr-22	$0.33	1,000,000
1-Feb-18	H	31-Jan-20	$0.27	620,891
				4,120,891

No person entitled to exercise the Options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares under performance rights

Grant date	Class	Expiry date	Exercise price	Number under rights
15-Jun-18	H, I and J	26-Feb-23	0	2,500,000
7-Aug-19	K		0	4,000,000
7-Aug-19	L		0	4,000,000
7-Aug-19	M		0	4,000,000
				14,500,000

The principal terms of the unlisted Class K, L and M Performance Rights (that will lapse if achievement of relevant milestones are not achieved by corresponding milestone dates) are found in Schedule 3 of the notice of meeting held on 19 July 2019.

The Performance Right shall have a period of 3 years to achieve the relevant NAVS/SP Average performance vesting hurdle from the date of issue and will lapse immediately if the hurdle is not achieved at the end of the 3-year term. The exception will be the first Tranche which will lapse immediately if the applicable hurdle is not achieved within 18 months after the date of issue. Where Embark is no longer engaged by the Company as a consultant for whatever reason, any unvested Performance Rights held will automatically lapse.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of performance rights
The following ordinary Shares of MMJ Group Holdings Limited were issued during the year ended 30 June 2019 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Exercise price	Number of Shares issued
12-Dec-17	0	4,500,000
12-Dec-17	0	1,500,000
12-Dec-17	0	250,000
12-Dec-17	0	1,500,000
		7,750,000

Indemnity and insurance of officers
The consolidated entity has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the consolidated entity paid a premium in respect of a contract to insure the directors and executives of the consolidated entity against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The consolidated entity has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the consolidated entity or any related entity against a liability incurred by the auditor.

During the financial year, the consolidated entity has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the consolidated entity
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the consolidated entity, or to intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or part of those proceedings.

Non-audit services

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 16 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor (Please refer to note 16 Remuneration of auditors for details)
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants

	2019 $	2018 $
Tax related services	112,916	47,630
Investigating Accountant's Report	13,464	
	126,380	47,630

Officers of the company who are former partners of BDO Audit (WA) Pty Ltd

There are no officers of the company who are former partners of BDO Audit (WA) Pty Ltd.

Rounding of amounts

The consolidated entity 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.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Peter Wall
Non-Executive Chairman

24 September 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF MMJ GROUP HOLDINGS LIMITED

As lead auditor of MMJ Group Holdings Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 24 September 2019

Corporate Governance Statement

The Board recognises the importance of establishing a comprehensive system of control and accountability as the basis for the administration of corporate governance.

To the extent relevant and practical, the Company has adopted a corporate governance framework that is consistent with *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council ("Recommendations").

The Board has adopted the following suite of corporate governance policies and procedures which are contained with the Company's Corporate Governance Plan and the Company's Corporate Governance Statement, a copy of which is available on the Company's website at www.mmjgh.com.au.

- Board Charter
- Corporate Code of Conduct
- Audit and Risk Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Performance Evaluation Procedures
- Continuous Disclosure Policy
- Risk Management Policy
- Remuneration Policy
- Trading Policy
- Diversity Policy
- Shareholder Communications Strategy

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

The Company is pleased to report that its practices are largely consistent with the Recommendations of the ASX Corporate Governance Council and sets out its compliance and departures from the Recommendations for the year ended 30 June 2019 in the Corporate Governance Statement is accurate and up to date as at 26 August 2019 and was approved by the Board of the Company.

In light of the Company's size and nature, the Board considers that the current corporate governance regime is a fit-for-purpose, efficient, practical and cost-effective method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the implementation of additional corporate governance policies and structures will be reviewed.

MMJ Group Holdings Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	30-Jun-19 $000	30-Jun-18 $000
Revenue			
Interest received		129	225
Sales Revenue		0	211
Net foreign exchange gain/(loss)		(213)	(80)
Loss on disposal of investment			(105)
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss		21,080	3,271
Total revenue		20,996	3,522
Other income			
Gain on deconsolidation of Harvest One Cannabis Inc.*	5	0	16,990
Gain on deconsolidation of PhytoTech Therapeutics Ltd**	5	0	7,779
Gain on changes in fair value of biological assets		0	1,118
Foreign exchange gain on revaluation of financial assets held for trading		0	1,241
Share of Harvest OneHVT profit		0	65
Gain on changes in fair value of biological assets		0	0
Foreign exchange gain/(loss) on changes in the fair value of equity investments at fair value through profit and loss		4,110	0
Gain on changes in fair value of biological assets			
Changes in the fair value of equity investments at fair value through through profit and loss		8,536	(13,275)
Gain/(loss) on contingent deferred consideration shares		0	1,992
Other income		12,646	15,910
Income from operating activities		33,642	19,432
Expenses			
Administration expenses		(999)	(1,885)
ASX Compliance relisting expense		(505)	0
Compliance and regulatory expenses		(82)	(339)
Consultancy and legal expenses		(264)	(939)
Cost of Sales		0	(724)
Depreciation and amortisation expense		(7)	(709)
Employee and director related expenses		(941)	(2,795)
Equity based payments expense		70	(7,937)
Finance costs		(0)	(1,494)
Impairment of inventory		0	(213)
Marketing & investor relations		0	(509)
Research and development expense		0	(232)
Total expenses		(2,728)	(17,776)
Profit/(Loss) before income tax expense		30,914	1,656
Income tax expense	7	(9,294)	(466)
Profit/(Loss) after income tax expense for the year		21,620	1,190
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		0	(503)
Other comprehensive income for the year, net of tax		0	(503)
Total comprehensive profit/(loss) for		21,620	687
Profit/(Loss) for the year is attributable to:			
Non-controlling interest		0	(3,954)
Owners of MMJ Group Holdings Limited		21,620	5,144
		21,620	1,190
Total comprehensive income for the year is attributable to:			
Non-controlling interest		0	(3,954)
Owners of MMJ Group Holdings Limited		21,620	4,641
		21,620	687
		Cents	**Cents**
Basic earnings per share	24	9.40	2.40
Diluted earnings per share	24	9.40	2.30

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 30 June 2019

	Note	30-Jun-19 $'000	30-Jun-18 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	26,392	1,347
Trade and other receivables		63	110
Financial assets - held for trading		0	63,091
Financial assets at fair value through profit or loss	9	69,093	0
Total Current Assets		**95,548**	**64,548**
NON-CURRENT ASSETS			
Property, plant and equipment		45	55
Deferred tax assets		66	433
Total Non-Current Assets		**112**	**488**
TOTAL ASSETS		**95,660**	**65,036**
CURRENT LIABILITIES			
Trade and other payables		195	390
Provision for Tax		6,240	0
Total Current Liabilities		**6,435**	**390**
NON-CURRENT LIABILITIES			
Deferred tax		3,587	899
Total Non-Current Liabilities		**3,587**	**899**
TOTAL LIABILITIES		**10,022**	**1,289**
NET ASSETS		**85,638**	**63,747**
EQUITY			
Contributed equity	10	52,936	49,064
Reserves	11	1,057	9,353
Retained Earnings		31,645	5,330
TOTAL EQUITY		**85,638**	**63,747**

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 year ended 30 June 2019

Consolidated	Contributed Equity $'000	Other Reserves $'000	Foreign Currency Translation Reserve $'000	Accumulated Loss $'000	Non-Controlling Interest $'000	Total Equity $'000
Balance at 1 July 2018	**49,064**	**9,353**	**0**	**5,330**	**0**	**63,747**
Loss after income tax expense for the year	0	0	0	21,620	0	21,620
Other comprehensive income for the year, net of tax	0	0	0	0	0	0
Total comprehensive income for the year	0	0	0	21,620	0	21,620
Transactions with owners in their capacity as owners:						
Exercise of options	240	(1,709)	0	1,709	0	240
Lapse of options	0	(2,885)	0	2,986	0	101
Conversion of performance rights	3,632	(3,632)	0	0	0	0
Share-based payment	0	(70)	0	0	0	(70)
Balance at 30 June 2019	**52,936**	**1,057**	**0**	**31,645**	**0**	**85,638**

Consolidated	Contributed Equity $'000	Other Reserves $'000	Foreign Currency Translation Reserve $'000	Accumulated Loss $'000	Non-Controlling Interest $'000	Total Equity $'000
Balance at 1 July 2017	**44,954**	**16,914**	**503**	**(32,306)**	**11,810**	**41,875**
Loss after income tax expense for the period	0	0	0	5,144	(3,954)	1,190
Other comprehensive income for the period, net of tax	0	0	(503)	0		(503)
Total comprehensive income for the period	0	0	(503)	5,144	(3,954)	687
Transactions with owners in their capacity as owners:						
Exercise of options	1,941	0	0	0	0	1,941
Harvest One option reserve	0	0	0	0	0	0
Harvest One convertible debentures	0	0	0	0	0	0
Conversion of performance rights	2,169	(2,169)	0	0	0	0
Cancellation of performance rights	0	(815)	0	0	0	(815)
Transactions with non-controlling interest	0	19,154	0	0	53,920	73,074
Movement due to deconsolidation of Harvest One and PTL		(32,492)		32,492	(61,776)	(61,776)
Share-based payment	0	8,761	0	0	0	8,761
Balance at 30 June 2018	**49,064**	**9,353**	**0**	**5,330**	**0**	**63,747**

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 year ended 30 June 2019

	30-Jun-19 $'000	30-Jun-18 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	0	65
Payments to employees & suppliers	(2,744)	(8,340)
	(2,744)	(8,275)
Interest received	129	162
Payments for financial assets at FVPL	(10,899)	0
Proceeds from disposal of financial assets at FVPL	37,792	0
Interest & other finance costs paid	0	(154)
Net cash (used in)/from operating activities	**24,278**	**(8,267)**
Cash flows from investing activities		
Payments for property, plant and equipment	0	(1,764)
Payments for investments	0	(14,016)
Proceeds from disposal of investments		6,073
Decrease in cash holding due to deconsolidation of Harvest One and PTL		(81,774)
Other		334
Payments for intangible assets	0	(10)
Net cash used in investing activities	**0**	**(91,157)**
Cash flows from financing activities		
Proceeds received on exercise of options	0	2,180
Proceeds from Harvest OneHVT units offering		37,869
Proceeds from exercise of warrants	0	18,362
Other	0	32
Proceeds from issue of convertible debentures	0	19,130
Net cash from financing activities	**0**	**77,573**
Net increase/(decrease) in cash & cash equivalents	**24,278**	**(21,851)**
Cash at the beginning of the half year	1,347	23,801
Effects of exchange rate changes on cash and cash equivalents	767	(603)
Cash & cash equivalents at end of period	**26,392**	**1,347**

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes

1. General information

The financial statements cover MMJ Group Holdings Limited as a consolidated entity consisting of MMJ Group Holdings Limited and the entity it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is MMJ Group Holdings Limited's functional and presentation currency.

MMJ Group Holdings Limited is a listed public company limited by Shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 518, Level 5,
165-167 Phillip Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 September 2019. The directors have the power to amend and reissue the financial statements.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

A number of 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 9 Financial Instruments; and
- AASB 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 2(a), (b), and (c) below. The impact of these standards on transition date 1 July 2018, 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 except for reclassification of financial instruments discussed below.

Changes in accounting policies

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

Reclassification from held for trading to Fair Value through Profit or Loss

Investments in listed and unlisted security instruments were reclassified from financial assets held for trading to financial assets at fair value through profit and loss (FVPL) ($63,091,000 as at 30 June 2018).

a) AASB 9 Financial Instruments – Accounting Policies Applied from 1 July 2018

Recognition and derecognition

Regular way purchase and sales of financial assets are recognised in trade date, the date which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cashflows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. Financial assets with embedded derivatives are considered in their entirety when determining whether cashflows are solely payment of principle and interest.

All of the Group's investments in equity instruments including convertible note receivable have been recognised at fair value and classified at Fair value through profit or loss on transition date 1 July 2018 and at balance date.

The group does not hold material trade receivables on transition and at balance date.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

b) AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

c) AASB 15 Revenue from Contracts with Customers – Accounting policies

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 20.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MMJ Group Holdings Limited ("company" or "parent entity") as at 30 June 2019 and the results of all subsidiaries for the year then ended. MMJ Group Holdings Limited and its subsidiaries together are referred to in these financial statements as the "consolidated entity".

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial statements are presented in Australian dollars, which is MMJ Group Holdings Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

The entity is exempt from consolidating underlying investees it controls in accordance with AASB 10 Consolidated Financial Statements and is exempt from accounting for associates in accordance with AASB 128 Investments in Associates and Joint Ventures.

Investments
As of 1 April 2018, the Company has been classified as an Investment Entity (in accordance with AASB 10 Consolidated Financial Statements) being a business whose purpose is to invest funds solely for returns via capital appreciation and/or investment returns. As the Company has been classified as an Investment Entity and recognises its investments as 'held for trading', the portfolio investments have been accounted for at fair value through profit or loss and shown as financial assets in the statement of financial position.

Investments held at fair value through profit or loss are initially recognised at fair value. Transaction costs related to acquisitions are expensed to profit or loss immediately. Subsequent to initial recognition, all financial instruments held at fair value are accounted for at fair value, with changes to such values recognised in profit or loss.

Investments are recognised on a settlement date basis.

The entity is exempt from consolidating underlying investees it controls in accordance with AASB 10 Consolidated Financial Statements and is exempt from accounting for associates in accordance with AASB 128 Investments in Associates and Joint Ventures.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Derivative financial instruments
Hedges of a net investment
Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Financial instruments – accounting policy prior to 1 July 2018.
Financial assets held for trading are either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Trade and other receivables-include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Share-based payment transactions of the Company
Equity -settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 25.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Goods and Services Tax (“GST”) and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of control of the goods and the cessation of all involvement in those goods.

Trade and other payables
Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

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.

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 annual reporting period ended 30 June 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.

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 consolidated entity will adopt this standard from 1 July 2019. As at reporting date, the Group has non-cancellable operating lease commitments of $0.2 million (refer note 18). Therefore, management does not expect the adoption of this accounting standard will have a material impact on the Group's financial performance and position.

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of Options is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Performance rights were valued using a hybrid up and in single share price barrier model.

Provision for impairment of inventories (up to date of deconsolidation of Harvest One Cannabis Inc)
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability.

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets (up to date of deconsolidation of Harvest One Cannabis Inc)
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

To maintain the licence the Harvest One Group is subject to routine inspections throughout the licence period whereby the Group is required to be without incident and the process and procedures are to be within Health Canada guidelines. Upon completion of this inspection and when no issues are identified the renewal becomes routine. The Group completed this renewal process on June 26, 2017 and was issued a licence for a further three years. The Group intends to maintain the highest level of quality control and adherence to Health Canada regulations and therefore strongly believes that the licence can be renewed for further periods without incurring significant costs. Given this the Group determines that the licence has an indefinite useful life in accordance with AASB 138 Intangible Assets.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Biological assets (up to date of deconsolidation of Harvest One Cannabis Inc)
In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realisable value.

Loss of control – Harvest One Cannabis Inc (HVT)
HVT completed a capital raising on 31 January 2018 and announced a mandatory conversion of all outstanding debentures on 26 February 2018, resulting in MMJ's shareholding being diluted to approximately 36% of HVT's total outstanding Shares. Concurrently on 26 February 2018, Mr Andreas Gedeon resigned from the MMJ Board. Management concluded these events resulted in the loss of control of HVT, as MMJ no longer had majority ownership or majority board representation over the operations of HVT. Management adopted 28 February 2018 as the loss of control date of HVT.

MMJ's interest in HVT was accounted for as follows:

- Until 28 February 2018 as a consolidated business;
- From 28 February 2018, up to 1 April 2018 as an equity accounted entity; and
- From 1 April 2018, at which time MMJ was classified as an Investment Entity, as a financial asset held for trading (refer note 2 for accounting policy of investments as an Investment Entity).

Management have further assessed that the loss of control of HVT did not result in a discontinued operation on the basis that the Company continues to hold cannabis sector investments, including HVT, and is actively investing in the cannabis sector.

As at 30 June 2019 the Company holds approximately 26% of HVT.

Investment Entity
As of 1 April 2018, MMJ's focus and strategies were transformed to 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.

4. Operating segments

During the year ending 30 June 2019, the consolidated entity was organised into one segment - investment entity.

Segment Information

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

The information reported to the Chief Operating Decision Maker (CODM) is on a monthly basis.

Types of reportable segments:

(i) Cultivation

Segment activities include the legal cultivation and distribution of cannabis under a federally regulated MMPR licence issued by Health Canada. Segment assets include cash, cannabis inventories, property, plant and equipment, infrastructure, intangible assets (licenses and permits) and other capital expenditure relating to the entity's two cannabis cultivation facilities in Canada.

(ii) Processing and distribution

Segment activities include the processing, manufacturing and distribution of cannabis-based food supplement products throughout Europe. Segment assets include cash, inventories, and key agreements with international partnerships for the production and distribution of its cannabinoid-based products.

(iii) Clinical development

Segment activities include research and clinical development of delivery systems and devices that have the potential to deliver safe, effective and measured doses of medical cannabis to patients. All research and development activities conducted in Israel are reported on in this segment. Segment assets include intellectual property, and capitalised research and development expenditure.

(iv) Investment entity

As of 1 April 2018, for financial reporting purposes, MMJ's focus and strategies were transformed to 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 consolidated entity measures and evaluates the performance of substantially all of its investments on a fair value basis.

Basis of accounting for purposes of reporting by operating segment

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Company.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables.

Operating segment information

Consolidated - 30 June 2019	**Investment entity $'000**	**Total $'000**
Revenue		
Net foreign exchange gain/(loss)	(213)	(213)
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	21,080	21,080
	20,867	20,867
Foreign exchange gain/(loss) on changes in the fair value of equity investments at fair value through profit and loss	4,110	4,110
Changes in the fair value of equity investments at fair value through through profit and loss	8,536	8,536
Consultancy and legal expenses	(264)	(264)
Employee and director related expenses	(941)	(941)
Equity based payments expense	70	70
Other expenses	(1,587)	(1,587)
EBITDA	30,792	30,792
Depreciation and amortisation	(7)	(7)
Interest received	129	129
Profit/(loss) before income tax expense	30,914	30,914
Income tax expense	(9,294)	(9,294)
Profit after income tax expense	21,620	21,620
Assets		
Segment assets	95,660	95,660
Total assets	95,660	95,660
Liabilities		
Segment liabilities	10,022	10,022
Total liabilities	10,022	10,022

Consolidated - 30 June 2018	**Cultivation $'000**	**Processing and distribution $'000**	**Clinical developme nt $'000**	**Unallocated $'000**	**Investment entity $'000**	**Total $'000**
EBITDA	**(1,801)**	**(467)**	**(730)**	**(4,331)**	**(17,928)**	**(25,257)**
Depreciation and amortisation	(670)		(2)	(32)	(5)	(709)
Interest revenue					225	225
Finance costs	(7)	(3)		(1,483)	(2)	(1,495)
Net loss on foreign exchange		(77)	(3)			(80)
Gain/(loss) on contingent deferred consideration					1,992	1,992
Impairment of inventory	(213)					(213)
Other income					27,193	27,193
Profit/(loss) before income tax expense	(2,691)	(547)	(735)	(5,846)	11,475	1,656
Income tax expense						(466)
Profit/(loss) after income tax expense	(2,691)	(547)	(735)	(5,846)	11,475	1,190
Assets						
Segment assets					65,036	65,036
Total assets as at 30 June						65,036
Liabilities						
Segment liabilities					1,289	1,289
Total liabilities as at 30 June						1,289

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

5. Other income

	Consolidated	
	30-Jun-19	30-Jun-18
	$'000	$'000
Gain on deconsolidation of Harvest One Cannabis Inc.*	0	16,990
Gain on deconsolidation of PhytoTech Therapeutics Ltd**	0	7,779

Below is the reconciliation of gain on deconsolidation of Harvest One Cannabis Inc.

	Consolidated	
	30-Jun-19	30-Jun-18
	$'000	$'000
Fair value of HVT Shares on deconsolidation date	0	56,190
Net assets of HVT on deconsolidation date	0	(89,844)
Intangible at consolidation (net of DTL)	0	(6,395)
Goodwill	0	(4,737)
Add non-controlling interest	0	61,776
Total gain on deconsolidation of HVT	0	16,990

	Consolidated	
	30-Jun-19	30-Jun-18
	$'000	$'000
Fair value of PTL on deconsolidation date	0	8,033
Less net assets PTL on deconsolidation date	0	(254)
Gain on deconsolidation of PTL	0	7,779

In early 2018, HVT completed a capital raising on 31 January 2018 and announced a mandatory conversion of all outstanding debentures on 26 February 2018, resulting in MMJ's shareholding being diluted to approximately 36% of HVT's total outstanding Shares. Concurrently on 26 February 2018, Mr Andreas Gedeon resigned as Managing Director of MMJ but retained his directorship of HVT. Management concluded these events resulted in the loss of control of HVT as MMJ no longer had majority ownership or majority representation on the Board of HVT. Management have adopted 28 February 2018 as the loss of control date of HVT.

**Gain on deconsolidation of PhytoTech Therapeutics Ltd

MMJ's interest in HVT from 28 February 2018, has been equity accounted up to 1 April 2018 at which point MMJ was classified as an Investment Entity for financial reporting purposes. Therefore, from 1 April 2018, MMJ's interest in HVT has been accounted for as a financial asset held for trading.

Below is the reconciliation of gain on deconsolidation of Harvest One Cannabis Inc.

	Consolidated	
	30-Jun-19	30-Jun-18
	$'000	$'000
Fair value of HVT Shares on deconsolidation date	0	56,190
Net assets of HVT on deconsolidation date	0	(89,844)
Intangible at consolidation (net of DTL)	0	(6,395)
Goodwill	0	(4,737)
Add non-controlling interest	0	61,776
Total gain on deconsolidation of HVT	0	16,990

On 25 June 2018 MMJ executed a share sale contract to sell 100% of PhytoTech Therapeutic Limited (PTL) to HVT, subject to shareholder approval on 28 September 2018. From 1 April 2018 PTL was fair valued according to the sale price as per contract.

Below is the reconciliation of gain on deconsolidation of PhytoTech Therapeutics Ltd:

	Consolidated	
	30-Jun-19	30-Jun-18
	$'000	$'000
Fair value of PTL on deconsolidation date	0	8,033
Less net assets PTL on deconsolidation date	0	(254)
Gain on deconsolidation of PTL	0	7,779

6. Finance costs

	Consolidated	
	30-Jun-19	30-Jun-18
	$'000	$'000
Amortisation of HVT deferred financial fees	0	1,194
Interest expense incurred on HVT debentures	0	288
Other finance costs	0	12
Total finance costs	0	1,494

7. Income tax

	30-Jun-19	30-Jun-18
a) Income tax Expense		
Major components of income tax expense are:		
Current tax	6,240	
Deferred tax	3,054	466
Income tax expense reported in the income statement	**9,294**	**466**
b) Numerical reconciliation		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:	30,914	1,656
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%)	9,274	497
- Difference in tax rates	(740)	1,327
- Non-deductible share based payments	70	2,720
- Revaluations	-	287
- Accounting gain/(loss) on investment	1,018	(950)
- Other permanent adjustments	(328)	276
- Capital gain on investment	-	818
- Foreign exchange	-	(193)
- Previously unrecognised deferred tax assets	-	(930)
Other (deconsolidation of Harvest One)	-	(5,066)
Deferred balance not recognised	-	1,681
	9,294	466
c) Deferred tax asset balances		
Revenue & capital losses - Australia	-	388
Temporary differences - Australia	66	45
	66	433
d) Unrecognised deferred tax asset balances		
Revenue losses - Overseas	-	5,477
	-	5,477
e) Deferred tax liabilities balances		
Revaluation on investments	3,076	765
Foreign Exchange	512	134
	3,587	899

The potential future income tax benefit will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) the Company continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Company in realising the benefit.

The franking account balance at period end was nil (2018: Nil).

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

8. Current assets - cash and cash equivalents

	Consolidated	
	30-Jun-19 $'000	30-Jun-18 $'000
Cash at bank	26,392	1,317
Cash on deposit	0	30
	26,392	1,347

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Current assets - financial assets held Fair Value through Profit or Loss

Current assets - financial assets held Fair Value through Profit or Loss

	Consolidated 2019 30-Jun $000	Consolidated 2018 30-Jun $000
Reclassification from financial assets held for trading		
Investment in Bien Ventures Ltd	0	715
Investment in BevCanna Enterprises Inc	0	505
Investment in Biologics Research Institute Australia Pty Ltd ("Cannabis Access")	0	1,000
Investment in Fire& & Flower Inc.	0	1,025
Investment in Harvest One Cannabis Inc.	0	42,256
Investment in Martha Jane Medical Limited	0	600
Investment in MediPharm Labs Inc	0	5,123
Investment in PhytoTech Therapeutics Ltd	0	8,033
Convertible debenture receivable - Weed Me Inc	0	3,834
	0	63,091
Financial assets at fair value through profit and loss		
Investment in Bien Ventures Ltd	1,077	0
Investment in BevCanna Enterprises Inc	1,361	0
Investment in Biologics Research Institute Australia Pty Ltd ("Cannabis Access")	1,000	0
Investment in Embark Health Inc	3,685	0
Investment in Fire& & Flower Inc.	1,250	0
Investment in Harvest One Cannabis Inc.	44,146	0
Investment in Martha Jane Medical Limited	600	0
Investment in MediPharm Labs Inc	4,077	0
Investment in Weed Me Inc	6,532	0
Investment in Vitagenne Inc.	1,426	0
Investment in Hemple	1,000	0
Investment in Volero Inc.	2,721	0
Investment in Sequoya	218	0
	69,093	0

Reconciliation

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

Reconciliation Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:	**Consolidated 2019 30-Jun $000**	**Consolidated 2018 30-Jun $000**
Opening fair value	**0**	**0**
Reclassification from financial assets held for trading	63,091	0
Additions - financial assets at fair value through profit and loss	14,971	0
Additions - investment in HVT on the date of deconsolidation	0	56,190
Additions – investment in PTL	0	7,779
Additions - other investments	0	14,016
Unrealised loss on revaluation of financial assets held for trading	0	(13,275)
Changes in the fair value of equity investments at fair value through through profit and loss	8,536	0
Net foreign exchange gain/(loss)	(213)	0
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	21,080	3,271
Foreign exchange gain on revaluation of financial assets held for trading	0	1,183
Foreign exchange gain on changes in the fair value of equity investments at fair value through profit and loss	3,443	0
Disposal of financial assets at fair value through profit and loss	(41,815)	(6,073)
Closing fair value	69,093	63,091
	69,093	63,091

The following table presents the changes in level 3 instruments for the year:		**Unlisted equity securities** $000	**Convertible debenture receivable** $000	**Total** $000
Opening balance	**1-Jul-18**	**0**	**0**	**0**
Transfer from financial assets held for trading		8,968	3,834	**12,802**
Conversion of convertible note into unlisted equity securities		3,834	(3,834)	**0**
Transfer to level 1		(6,148)	0	**(6,148)**
Disposals		0	0	**0**
Acquisitions		8,355	0	**8,355**
Net foreign exchange gain/(loss)		0		**0**
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss		0	0	**0**
Foreign exchange gain/(loss) on changes in the fair value of equity investments at fair value through profit and loss		696	0	**696**
Changes in the fair value of equity investments at fair value through through profit and loss		3,914	0	**3,914**
Closing balance	**30-Jun-19**	**19,619**	**0**	**19,619**

Refer to note 14 for further information on fair value measurement.

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 year ended 30 June 2019. There were also no changes made to any of the valuation techniques applied as of 30 June 2018.

10. Equity – contributed equity

Equity - contributed equity

Movements in ordinary share capital	**30-Jun-19 Shares**	**30-Jun-18 Shares**	**30-Jun-19 $'000**	**30-Jun-18 $'000**
Ordinary Shares - fully paid	230,148,985	221,398,985	52,936	49,064

Details	**Date**	**Shares**	**Issue price**	**$'000**
Balance	30-Jun-17	208,932,100		44,954
Exercise of Options	11-Sep-17	1,000,000	$0.20	200
Exercise of Options	15-Nov-17	1,500,000	$0.20	300
Exercise of Options	15-Nov-17	98,750	$0.27	26
Exercise of Options	12-Dec-17	1,000,000	$0.20	200
Exercise of Options	12-Dec-17	56,250	$0.27	15
Exercise of Options	29-Dec-17	500,000	$0.20	100
Exercise of Options	12-Jan-18	786,885	$0.45	354
Exercise of Options	12-Jan-18	250,000	$0.45	113
Exercise of Options	12-Jan-18	1,000,000	$0.24	240
Exercise of Options	1-Feb-18	900,000	$0.20	180
Exercise of Options	1-Feb-18	250,000	$0.45	113
Conversion of performance rights	2-Mar-18	4,500,000	-	2,115
Conversion of performance rights	2-Mar-18	125,000	-	54
Exercise of Options	12-Apr-18	500,000	$0.20	100
Balance	**1-Jul-18**	221,398,985		49,064
Conversion of performance rights	5-Jul-18	4,500,000	$0.47	2,115
Conversion of performance rights	5-Jul-18	1,500,000	$0.47	705
Conversion of performance rights	5-Jul-18	250,000	$0.43	107
Conversion of performance rights	5-Jul-18	1,500,000	$0.20	705
Exercise of Options	5-Jul-18	1,000,000	$0.24	240
Balance	**30-Jun-19**	230,148,985		52,936

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.

Share buy-back

On 7 June 2019, the Company announced its intention to commence, with effect from 27 June 2019, an on-market share buy-back program for shares up to a maximum of 10m ordinary shares. As at 30 June 2019, the Company had acquired 500,000 shares for a total consideration of $0.12m which was settled and the shares cancelled after 30 June 2019.

The shares acquired by the Company as part of on-market share buy-back programs are cancelled and removed from the shares register.

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new Shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 2018 Annual Report.

Accounting policy for contributed equity
Ordinary Shares are classified as equity.

Incremental costs directly attributable to the issue of new Shares or Options are shown in equity as a deduction, net of tax, from the proceeds.

11. Equity - reserves

	30-Jun-19 $'000	30-Jun-18 $'000
Options reserve	963	5,342
Performance rights reserve	94	4,011
	1,057	**9,353**

Options reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency reserve $'000	Other reserves $'000	Options reserve $'000	Performance rights reserve $'000	Total $'000
Balance at 1 July 2017	503	11,540	4,376	998	17,417
Cash received for performance rights				2	2
Conversion of performance rights				(2,169)	(2,169)
Cancellation of performance rights				(815)	(815)
Shared based payments		1,800	966	5,995	8,761
Movement due to deconsolidation of HVT and PTL	(503)	(13,340)			(13,843)
Balance at 30 June 2018	0	0	5,342	4,011	9,353
Exercise of options			(1,709)		(1,709)
Lapse of options			(2,825)	(60)	(2,885)
Options expense			0		0
Cash received for performance rights					0
Conversion of performance rights				(3,632)	(3,632)
Cancellation of performance rights					0
Shared based payments			155	(225)	(70)
Balance at 30 June 2019	0	0	963	94	1,057

12. Equity - dividends

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

13. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives (“finance”) under policies approved by the Board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

	30-Jun-19 $'000	30-Jun-18 $'000
Financial Assets		
Cash and cash equivalents	26,392	1,347
Trade and other receivables	63	110
Financial assets held for trading	0	63,091
Financial assets at fair value through profit or loss	69,093	
Other non-current assets		-
Total financial assets	95,549	64,548
Financial Liabilities		
Trade and other payables	6,435	390
Total financial liabilities	6,435	390

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity maintains a bank account denominated in Canadian dollars (CAD), thus the consolidated entity is exposed to diminution of cash balances through currency exchange risk.

The consolidated entity manages its currency risks by closely monitoring exchange rate fluctuations. The following table shows the foreign currency risk on the financial assets and liabilities of the consolidated entity’s operations denominated in currencies other than the functional currency of the operations. The foreign currency risk in the books of the parent entity is considered immaterial and is therefore not shown.

Sensitivity analysis

The following table illustrates sensitivities to the consolidated entity’s exposures to changes in exchange rates in relation to its cash held in foreign currency and investments held in foreign currency. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

Consolidated - 2019	% change	AUD strengthened Effect on profit before tax $'000	Effect on equity $'000	% change	AUD weakened Effect on profit before tax $'000	Effect on equity $'000
AUD / USD	(10%)	(143)	(100)	10%	143	100
AUD / CAD	(10%)	(6,485)	(5,742)	10%	6,485	5,742

Consolidated - 2018	% change	AUD strengthened Effect on profit before tax $'000	Effect on equity $'000	% change	AUD weakened Effect on profit before tax $'000	Effect on equity $'000
AUD / CAD	(10%)	(6,242)	(6,242)	0	6,242	6,242

Price risk

The consolidated entity is exposed to price risk in relation to its investment in HVT which is quoted on the Toronto Stock Venture Exchange. The fair value of investment in HVT was $44,146,000 as at 30 June 2019.

The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible based on HVT's historical volatility.

Consolidated - 2019	Share price %	Share price increase Effect on profit before tax $'000	Effect on equity $'000	Share price decrease %	Effect on profit before tax $'000	Share price decrease Effect on equity $'000
HVT share price	50%	22,073	21,462	(50%)	(22,073)	(21,462)

Consolidated - 2018	Share price %	Share price increase Effect on profit before tax $'000	Effect on equity $'000	Share price decrease %	Effect on profit before tax $'000	Share price decrease Effect on equity $'000
HVT share price	50%	21,128	21,128	(50%)	(21,128)	(21,128)

For other investments held by the consolidated entity at the end of the reporting period, a sensitivity analysis was performed relating to its exposure to other price risk. This analysis demonstrates the effect on current year net assets after tax as a result from a reasonably possible change in the risk variable. The sensitivity assumes all other variables to remain constant.

A 5.0% movement in the fair value of each of these investments within the investment portfolio (excluding HVT) would result in $1,247,340 movement in profit or loss before tax and $873,140 movement in equity.

Interest rate risk

As the consolidated entity's major assets are cash deposits they are held in fixed and variable interest rate deposits. The consolidated entity's income and operating cash flows are materially exposed to changes in market interest rates. The consolidated entity manages this risk by only investing in minimum Standard & Poor's credit rating of AA- (or equivalent) rated institutions and maintaining an appropriate mix between different terms.

The Group's borrowings are on fixed interest rates. Interest rate risk is managed by ensuring that total interest rate cover is well in excess of minimum bank covenant requirements, to ensure the Group retains a high level of flexibility to absorb any adverse movements in interest rates.

At reporting date, the Group had the following exposure to variable interest rate risk:

Consolidated	30-Jun-19 $'000	30-Jun-18 $'002
Financial assets		
Cash and cash equivalents		
Australia	539	1023
Canada	25,703	324
Net exposure to cash flow interest rate risk	26,242	1,347

The following table illustrates sensitivities to the consolidated entity’s exposures to changes in interest rates. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Interest rate	Interest rate increase		Interest rate decrease		Interest rate decrease
Consolidated - 2019	**%**	**Effect on profit before tax $'000**	**Effect on equity $'000**	**%**	**Effect on profit before tax $'000**	**Effect on equity $'000**
Interest rates	1%	262	184	(1%)	(262)	(184)

	Interest rate	Interest rate increase		Interest rate decrease		Interest rate decrease
Consolidated - 2018	**%**	**Effect on profit before tax $'000**	**Effect on equity $'000**	**%**	**Effect on profit before tax $'000**	**Effect on equity $'000**
Interest rates	1%	13	13	(1%)	(13)	(13)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Credit risk arises from cash and cash equivalents and trade and other receivables.

As of 30 June 2019, the consolidated entity does not have any material trade and other receivables. While cash and cash equivalents are also subject impairment requirements of AASB 9, the unidentified impairment loss was immaterial as only independently rated parties with a minimum Standard & Poor’s credit rating of AA- (or equivalent) are accepted.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Prudent liquidity risk management is managed through:

- maintaining sufficient cash;
- prudent oversight of future funding requirements;
- maintaining ongoing contact to facilitators of further funding; and
- only investing surplus cash with major financial institutions.

It is the consolidated entity’s policy to review the Group’s liquidity position including cash flow forecasts, actual cash flows and variation reports regularly to determine the forecast liquidity position and maintain appropriate liquidity levels.

The consolidated entity funds its activities through capital raising in order to limit its liquidity risk. The consolidated entity does not have any unused credit facilities.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	0	195	0	0	0	195
Total non-derivatives		195	0	0	0	195

Consolidated - 2018	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	0	390	0	0	0	390
Total non-derivatives		390	0	0	0	390

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

14. 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	**30-Jun-19**	**Level 1**	**Level 2**	**Level 3**	**Total**
Consolidated		**$'000**	**$'000**	**$'000**	**$'000**
Financial assets held at fair value through profit and loss					
Listed investments		49,474	0	0	49,474
Unlisted investments		0	0	19,619	19,619
Total assets		49,474	0	19,619	69,093

Consolidated	**30-Jun-18**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Equity investments at fair value through profit and loss					
Listed investments		42,256	0	0	42,256
Unlisted investments		0	8,033	8,968	17,001
Convertible debenture receivable		0	0	3,834	3,834
Total assets		42,256	8,033	12,802	63,091

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 financial year.

Level 2 observable input for investment in PhytoTech Therapeutics refers to sale price as per share sale contract between MMJ (seller) and HVT (purchaser) executed on 25 June 2018.

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

Description	Unobservable inputs	Range	Sensitivity
Unlisted investments	Share price from latest capital raising	Share price	Decrease share price on last equity issue decreases fair value
Convertible debenture receivable	Share price Volatility	Share price Volatility	Decease share price decreases fair value. 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.

15. Key Management Personnel disclosures

Directors

The following persons were directors of MMJ Group Holdings Limited during the financial year:

Mr Peter Wall	Non-Executive Chairman
Mr Winton Willesee	Non-Executive Director
Mr Doug Halley	Non-Executive Director
Mr Michael Curtis	Non-Executive Director (appointed 8 January 2019)

Other Key Management Personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr Jason Conroy	CEO of the Group (resigned 1 March 2019)
Mr Jim Hallam	CFO of the Group

Compensation

The aggregate compensation made to directors and other members of Key Management Personnel of the consolidated entity is set out below:

	Consolidated	
	2019	**2018**
	$	**$**
Short-term employee benefits	638,654	1,631,051
Long-term employee benefits	63,710	102,874
Termination benefits	0	119,376
Share-based payments	(26,426)	8,086,992
	675,938	9,940,293

16. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the company, and its network firms:

	2019 $	2018 $
Audit services - BDO Audit (WA) Pty Ltd		
Audit or review of the financial statements	124,625	89,942
Other Services - BDO Corporate Finance WA Pty Ltd		
Investigating Accountant's Report	13,464	0
Other services - BDO Corporate Tax Pty Ltd		
taxation services	112,916	47,630
	251,005	137,572
Audit services - network firms		
Audit or review of the financial statements	-	164,397
	0	164,397

17. Contingent assets and liabilities

The consolidated entity had no contingent assets and liabilities as at 30 June 2019 (2018: Nil).

18. Commitments

	Consolidated	
	2019 $'000	2018 $'000
*Lease commitments - operating**		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	104	78
One to five years	81	144
More than five years	-	0
	185	222

*The operating lease is primarily for Sydney head office accommodation (expiring in April 2021, total commitment as at 30 June 2019 is $180,142).

The Group has no other commitments for expenditure at 30 June 2019.

19. Related party transactions

(a) Key Management Personnel

The following persons were directors of MMJ Group Holdings Limited during the period ended 30 June 2019:

- Mr Peter Wall (Non-Executive Chairman)
- Mr Winton Willesee (Non-Executive Director)
- Mr Doug Halley (Non-Executive Director)
- Mr Michael Curtis (Non-Executive Director – appointed 8 January 2019).

Interests in subsidiaries are set out in note 21.

Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 19(c) and the remuneration report included in the directors' report.

(b) Transactions with related parties

The Board's policy in determining the nature and amount of compensation and discussion of the relationship between the Board's policy and the entity's performance are provided in the remuneration report section of the directors' report.

	2019 $	2018 $
Director fees paid:		
Director fees paid to Peregrine Consulting Ltd, an entity related to Mr Andreas Gedeon	0	188,473
Director fees paid to Azalea Consulting Pty Ltd, an entity related to Mr Winton Willesee	54,000	42,000
Director fees paid to Mr Jason Bednar	0	49,878
Director fees paid to Mr Doug Halley	66,521	15750
Directors fees paid to Bella Holdings, an entity related to Mr Michael Curtis	21,484	0
Director fees paid to Pheakes Pty Ltd, an entity related to Mr Peter Wall	72,000	96,641
Director fees paid to Greenline Holdings Pty Ltd, an entity related to Mr Andreas Gedeon	0	44,000

(c) Other transactions with Key Management Personnel and their related parties

During the reporting period, the consolidated entity engaged the services on the following related-parties on normal commercial terms and conditions no more favourable than those available to other parties:

Steinepreis Paganin, an entity associated with Mr Peter Wall, received payments totalling $301,496 in relation to legal services provided to the consolidated entity. As at 30 June 2019, $30,793 was payable to Steinepreis Paganin by the consolidated entity.

Azalea Consulting Pty Ltd, an entity associated with Mr Winton Willesee, received payments totalling $10,567 in relation to front office administration and company secretarial services provided to the consolidated entity.

As at 30 June 2019, $28,394 was payable to Embark Ventures Inc. by the consolidated entity, an entity associated with Mr Michael Curtis, in relation to investment management services provided to the consolidated entity. The consolidated entity also entered into an agreement to grant 12,000,000 performance rights to Embark Ventures Inc., which were approved by shareholders on 19 July 2019. The fair value of the performance rights have been determined using the share price at grant date of $0.29. The share-based payment expensed recognised in relation to these performance rights for the financial year ended 30 June 2019 is $59,703.

At 30 June 2019, the consolidated entity also held investments in the following investees, which have directors in common with the consolidated entity:

i. Harvest One Cannabis Inc. – Peter Wall is a director of Harvest One Cannabis Inc.
ii. Weed Me Inc. – Peter Wall is a director of Weed Me Inc.
iii. Embark Health, Inc. – Michael Curtis is a director and shareholder of Embark Health, Inc.

There were no loans made to directors and other Key Management Personnel of the consolidated entity during the year.

(d) The following balances are outstanding at the reporting date in relation to transactions with related parties:

	30-Jun-19 $	30-Jun-18 $
Current Payables:		
Amount owing to Pheakes Pty Ltd, an entity related to Mr Peter Wall	0	0
Amount owing to Steinepreis Paganin, an entity associated with Mr Peter Wall	30,793	51,000
Amount owing to Azalea Consulting Pty Ltd, an entity related to Mr Winton Willesee	4,950	0
Amount owing to Mr Jason Bednar	0	0
Amount owing to Mr Doug Halley	0	900
Amount owing to Bella Holdings, an entity related to Mr Michael Curtis	0	0
Amount owing to Embark Ventures Inc. an entity related to Mr Michael Curtis	28,394	0

20. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2019 $'000	2018 $'000
Profit/(loss) after income tax	21,620	814
Total comprehensive profit/(loss)	21,620	814

Statement of financial position

	Parent 2018 $'000	2018 $'000
Total current assets	95,549	42,549
Total assets	95,660	51,070
Total current liabilities	6,435	390
Total liabilities	10,022	1,290
Equity		
Contributed equity	52,936	49,064
Options reserve	963	5,342
Performance rights reserve	94	4,011
Retained Earnings	31,645	(8,637)
Total equity	85,638	49,780

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

21. 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
PhytoTech Therapeutics Ltd	Israel	0%	100

On 25 June 2018 MMJ executed a share sale contract to sell 100% of PhytoTech Therapeutic Limited (PTL) to HVT. From 1 April 2018 PTL was fair valued according to the sale price as per contract. PTL was deconsolidated on 1 April 2018 due to MMJ being classified as an Investment Entity in accordance with AASB 10 Consolidated Financial Statements.

The disposal of PTL was approved by MMJ shareholders on 5 October 2018 and completed on 20 November 2018.

22. Events after the reporting period

On 19 July 2019 the Company's shareholders approved:

a) The issue of 12,000,000 performance rights to Embark Ventures Inc.
b) The investment management agreement between the Company and Embark Ventures Inc.

No other matter or circumstance has arisen since 30 June 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.

23. Reconciliation of profit after income tax to net cash used in operating activities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit/(loss) after income tax expense for the year	21,620	1,190
Adjustments for:		
Depreciation and amortisation	7	709
Share-based payments	(70)	7,937
Foreign exchange differences	0	(603)
Foreign exchange (gain)/loss on changes in the fair value of equity investments at fair value through profit and loss	(3,443)	0
Impairment of inventory	0	213
(Gain)/loss on contingent deferred consideration Shares	0	(1,992)
Unrealised loss on revaluation of financial assets	0	13,275
Changes in the fair value of equity investments at fair value through profit and loss	(29,616)	0
Gain on changes in fair value of biological assets	0	(1,118)
Movement due to deconsolidation of HVT and PTL	0	(24,769)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivable	47	324
(Increase)/decrease in inventories	0	(2,099)
Decrease/(increase) in biological assets	0	81
Increase in other assets	365	(2,017)
Payments for financial assets at fair value through profit or loss	(10,899)	0
Proceeds from disposal of financial assets at fair value through profit or loss	37,792	0
Increase/(decrease) in trade and other payables	5,787	(742)
Increase in other liabilities	2,688	1,344
Net cash used in operating activities	24,278	(8,267)

24. Earnings per share

	Consolidated	
	2019 $'000	2018 $'000
Profit/(loss) after income tax	21,620	1,190
Non-controlling interest	0	3,954
Profit/(loss) after income tax attributable to the owners of MMJ Group Holdings Limited	21,620	5,144
	Number	Number
Weighted average number of ordinary Shares used in calculating basic earnings per share	230,052,831	214,595,798
Adjustments for calculation of diluted earnings per share:		
Options over ordinary Shares	0	4,970,891
Performance rights over ordinary Shares	0	4,522,602
Weighted average number of ordinary Shares used in calculating diluted earnings per share	230,052,831	224,089,291
	Cents	Cents
Basic earnings per share	9.40	2.40
Diluted earnings per share	9.40	2.30

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of MMJ Group Holdings Limited, excluding any costs of servicing equity other than ordinary Shares, by the weighted average number of ordinary Shares outstanding during the financial year, adjusted for bonus elements in ordinary Shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary Shares and the weighted average number of Shares assumed to have been issued for no consideration in relation to dilutive potential ordinary Shares.

25. Share-based payments

The Group provided the following in the form of share-based payment transactions:

	30-Jun-19 $	30-Jun-18 $
(a) New Options issued to directors	75,425	639,621
(b) Vesting of MMJ Options issued in prior periods	79,845	326,643
(c) Cancellation of Performance Rights	(757,667)	(814,500)
(d) Vesting of MMJ Performance Rights	472,816	
(d) New Performance Rights issued by MMJ	59,703	5,994,844
(f) Share based payment from HVT	0	1,790,519
Total share-based payments	(69,878)	7,937,127

(a) New Options issued to directors

On 16 March 2018, Mr Doug Halley was appointed as a Non-Executive Director of MMJ. Following shareholders approval on 5 October 2018, he was issued with 1,000,000 Options. These Options will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these Options started on the date of his appointment. As a result, $81,621 was recognised as share based payment as at 30 June 2018.

The fair value of the Options due to be issued to Mr Doug Halley was revised as at the date of issue using the Black-Scholes option valuation methodology and applying the following inputs:

Class	L
Exercise price	$0.41
Expected expiry date	24-Oct-21
Deemed issue date	16-Mar-18
Risk-free rate	2.06%
Volatility	80%
Total Options to be issued	1,000,000
Total value of Options	$158,000
Amount expensed in current period	$33,151
Amount to be expensed in future years	$43,228
Vesting conditions:	25% of the Options shall vest at the end of each of the four successive six-month periods following the date of issue.

As vesting conditions apply to Options due to be issued to Mr Doug Halley, the cost is recognised over the period in which the service conditions are fulfilled, ending on the date on which the relevant employee become fully entitled to the award (the vesting period).

On 8 January 2019, Mr Michael Curtis was appointed as a Non-Executive Director of MMJ. Following shareholder approval, he was issued with 1,000,000 Options. These Options will vest and become exercisable over a period of three years from the date of issue. For accounting purposes, the vesting period of these Options started on the date of his appointment. As a result, $42,274 was recognised as share-based payment as at 30 June 2019.

The fair value of the Options due to be issued to Mr Michael Curtis was determined using the Black-Scholes option valuation methodology and applying the following inputs:

Class	M
Exercise price	$0.33
Expected expiry date	3-Apr-22
Deemed issue date	8-Jan-19
Risk-free rate	1.87%
Volatility	80%
Total Options to be issued	1,000,000
Total value of Options	$112,000
Amount expensed in current period	$42,274
Amount to be expensed in future years	$69,726
Vesting conditions:	25% of the Options shall vest at the end of each of the four successive six-month periods following the date of issue.

As vesting conditions apply to Options due to be issued to Mr Michael Curtis, the cost is recognised over the period in which the service conditions are fulfilled, ending on the date on which the relevant employee become fully entitled to the award (the vesting period).

There were no other Options issued to directors and other Key Management Personnel during year ended 30 June 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).

(b) Vesting of MMJ Options issued in prior periods

During the year, $79,845 was recognised as share-based payments made in respect of MMJ Options issued in prior years. The fair value of the Options was determined using the Black-Scholes option valuation methodology and applying the inputs below.

	Class C Options	Class D Options	Class D Options	Class H Options	Class I Options	Class J Options	Class K Options
Grant date	1/04/2015	1/04/2015	29/06/2015	1/02/2016	6/06/2016	14/10/2016	1/02/2018
Exercise price	$0.31	$0.40	$0.40	$0.27	$0.24	$0.24	$0.35
Expiry date	6-May-19	27-Jul-18	27-Jul-18	31-Jan-20	6-Jun-19	1-Sep-20	31-Oct-21
Risk-free rate	2.01%	2.01%	2.80%	2.00%	2.00%	2.00%	2.13%
Volatility	95%	95%	93%	95%	95%	95%	100%
Value per option	$0.21	$0.21	$0.16	$0.20	$0.12	$0.16	$0.37
Total Options issued	350,000	1,000,000	1,500,000	1,779,641	4,000,000	3,000,000	1,500,000
Total Options on issue at 30 June 2019	350,000	1,000,000	1,500,000	620,891	1,000,000	3,000,000	1,500,000
Options vesting current period	116,666	250,000	500,000	0	2,000,000	2,000,000	
Options vested prior periods	116,667	750,000	875,000	993,544	2,000,000	1,000,000	1,500,000
Options lapsed in prior years	-	-	-	(377,503)	-	-	-
Less Options exercised	-			(155,000)	(4,000,000)	-	-
Less Options expired / forfeited	(350,000)	(1,000,000)	(1,500,000)	(98,750)	-	(3,000,000)	-
Total Options vested at 30 June 2019	0	0	0	620,891	0	0	1,500,000
Amount expensed in current period				$1,772		$78,073	
Period over which options vest	The Options vest quarterly over a period of 3 years of continuous employment.	The Options vest quarterly over a period of 3 years of continuous employment.	The Options vest quarterly over a period of 3 years of continuous employment.	The Options vest quarterly over a period of 3 years of continuous employment.	The Options vest every 6 months over a period of 2 years of continuous service.	The Options vest quarterly over a period of 3 years of continuous employment.	The Options vest quarterly over a period of 3 years of continuous employment.

(c) Cancellation of performance rights

During 2019 financial year, the following performance rights were lapsed, and the non-market conditions were not met:

i. 9,000,000 class D performance rights
ii. 2,000,000 class H, I and J performance rights

As a result, share-based payment expense recognised in prior year of $372,972 was reversed in the current year statement of profit or loss and other comprehensive income. Total expense for class H, I, and J performance rights recognised during the year of $384,694 as disclosed in note 25(d) was also reversed following the resignation of Jason Conroy.

(d) Vesting of MMJ Performance Rights issued in prior period and new Performance Rights issued

Set out below are summaries of performance rights granted under the plan:

2019

Grant date	Class	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
28/08/2014	D	18/11/2018	6,500,000			(6,500,000)	0
29/06/2015	D	18/11/2018	2,500,000			(2,500,000)	0
30/11/2017	E	12/12/2022	2,500,000		(2,500,000)		0
30/11/2017	F	12/12/2022	2,625,000		(2,625,000)		0
30/11/2017	G	12/12/2022	2,625,000		(2,625,000)		0
3/03/2018	H	2/03/2023	2,000,000			(2,000,000)	0
3/03/2018	I	2/03/2023	2,000,000			(2,000,000)	0
3/03/2018	J	2/03/2023	2,000,000			(2,000,000)	0
15/06/2018	H	26/02/2023	833,333				833,333
15/06/2018	I	26/02/2023	833,333				833,333
15/06/2018	J	26/02/2023	833,334				833,334
			25,250,000	0	(7,750,000)	(15,000,000)	2,500,000
Weighted average exercise price				$-	$-	$-	

2018

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
28/08/2014	18/11/2017	6,500,000	-	-	(6,500,000)	-
29/06/2015	18/11/2017	2,500,000	-	-	(2,500,000)	-
28/08/2014	18/11/2018	6,500,000	-	-	-	6,500,000
29/06/2015	18/11/2018	2,500,000	-	-	-	2,500,000
30/11/2017	12/12/2022	-	4,125,000	(1,625,000)	-	2,500,000
30/11/2017	12/12/2022	-	4,125,000	(1,500,000)	-	2,625,000
30/11/2017	12/12/2022	-	4,125,000	(1,500,000)	-	2,625,000
3/03/2018	2/03/2023	-	2,000,000	-	-	2,000,000
3/03/2018	2/03/2023	-	2,000,000	-	-	2,000,000
3/03/2018	2/03/2023	-	2,000,000	-	-	2,000,000
15/06/2018	26/02/2023	-	833,333	-	-	833,333
15/06/2018	26/02/2023	-	833,333	-	-	833,333
15/06/2018	26/02/2023	-	833,334	-	-	833,334
		18,000,000	20,875,000	(4,625,000)	(9,000,000)	25,250,000
Weighted average exercise price	$0.14	$-	$-	$0.05	$0.05	

[1]The fair value of the Class E, F and G performance rights was determined after applying the inputs below.

	Class E	**Class F**	**Class G**
Number of rights issued to KMP	4,000,000	4,000,000	4,000,000
Number of rights issued to officer	125,000	125,000	125,000
Total number of rights issued	4,125,000	4,125,000	4,125,000
Valuation date	30-Nov-17	30-Nov-17	30-Nov-17
Vesting conditions	Vesting upon continuous service until 31 December 2017 or 5 trading day VWAP reaches $0.50 (50 cents)	Vesting upon continuous service 30 June 2018 or 5 trading day VWAP reaches $0.50 (50 cents)	Vesting upon continuous service 31 December 2019 or 5 trading day VWAP reaches $0.50 (50 cents)
Fair value per unit to KMP	$0.47 (47 cents)	$0.47 (47 cents)	$0.47 (47 cents)
Fair value per unit to officer	$0.43 (43 cents)	$0.43 (43 cents)	$0.43 (43 cents)
Expense for the period	$0	$0	$0

[2]The fair value of the Class H, I and J performance rights issued to Mr Jason Conroy was determined after applying the inputs below.

	Class H	Class I	Class J
Underlying share price	$0.46	$0.46	$0.46
Exercise price	Nil	Nil	Nil
20-Day VWAP barrier	$0.60	$0.80	$1.00
Valuation date	2-Mar-18	2-Mar-18	2-Mar-18
Vesting period (years)	3.99	3.99	3.99
Volatility*	30%	30%	30%
Risk-free rate	2.34%	2.34%	2.34%
Number of rights	2,000,000	2,000,000	2,000,000
Value per right	$0.35	$0.23	$0.15
Value per tranche	$702,000	$460,000	$294,000
Value expense for the period	$233,679	$102,082	$48,933

Jason Conroy resigned as Chief Executive Officer on 1 March 2019. Share based payments for Jason Conroy are negative due to reversal of current and prior year share based payments expense on cessation of employment prior to meeting vesting conditions.

[3]The fair value of the Class H, I and J performance rights issued to Mr Jim Hallam was determined after applying the inputs below.

	Class H	Class I	Class J
Underlying share price	$0.32	$0.32	$0.32
Exercise price	Nil	Nil	Nil
20-Day VWAP barrier	$0.60	$0.80	$1.00
Valuation date	15-Jun-18	15-Jun-18	15-Jun-18
Vesting period (years)	3.7	3.7	3.7
Volatility*	30%	30%	30%
Risk-free rate	2.13%	2.13%	2.13%
Number of rights	833,333	833,333	833,334
Value per right	$0.13	$0.06	$0.03
Value per tranche	$105,833	$52,500	$25,833
Value expense for the period	$61,807	$19,356	$6,959

*This is VWAP specific volatility.

The fair value of the Class K, L and M performance rights was determined after applying the inputs below:

	Class K	Class L	Class M
Underlying share price	$0.29	$0.29	$0.29
Exercise price	Nil	Nil	Nil
Milestones NAVS/SP Average	$0.4048	$0.5096	$0.5995
Valuation date	19-Jul-19	19-Jul-19	19-Jul-19
Vesting period (years)	1.5	3	3
Probability	80%	60%	40%
Number of rights	4,000,000	4,000,000	4,000,000
Value per right	$0.29	$0.29	$0.29
Value per tranche	$928,000	$696,000	$464,000
Value expense for the period	$36,238	$14,079	$9,386

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.

(e) Reconciliation of Options on issue

1-Jul-17	**Opening balance**	**25,024,026**
12-Sep-17	Exercise of Options	(1,000,000)
15-Nov-17	Exercise of Options	(1,000,000)
15-Nov-17	Exercise of Options	(98,750)
15-Nov-17	Exercise of Options	(500,000)
12-Dec-17	Exercise of Options	(1,000,000)
12-Dec-17	Exercise of Options	(56,250)
28-Dec-17	Exercise of Options	(500,000)
12-Jan-18	Exercise of Options	(786,885)
12-Jan-18	Exercise of Options	(250,000)
12-Jan-18	Exercise of Options	(1,000,000)
1-Feb-18	Exercise of Options	(900,000)
1-Feb-18	Exercise of Options	(250,000)
1-Feb-18	Issue Options to Key Management Personnel – Class K exercisable at $0.35 each expiring 31 October 2021	1,500,000
8-Mar-18	Lapse of Options on termination	(98,750)
12-Apr-18	Exercise of Options	(500,000)
30-Jun-18	**Closing balance**	**18,583,391**
1-Jul-18	**Opening balance**	**18,583,391**
5-Jul-18	Exercise of Options	(1,000,000)
24-Jul-18	Lapse of Class F options	(7,075,000)
8-Sep-18	Lapse of Class D options	(2,500,000)
24-Oct-18	Issue of Class L options	1,000,000
21-Jan-19	Lapse of Class J options	(3,000,000)
1-Mar-19	Lapse of Class G options	(2,537,500)
3-Apr-19	Issue of Class M options	1,000,000
6-May-19	Lapse of Class C options	(350,000)
30-Jun-19	**Closing balance**	**4,120,891**

Accounting policy for share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of Shares, or Options over Shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

MMJ Group Holdings Limited

Directors' declaration

30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Peter Wall
Non-Executive Chairman

24 September 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of MMJ Group Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MMJ Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying Value of Financial Assets at Fair Value through Profit or Loss

Key audit matter	How the matter was addressed in our audit
As disclosed in note 9, as at 30 June 2019, the carrying value of financial assets recognised at fair value through profit or loss represents a significant asset of the Group. The financial assets held include listed securities, unlisted securities, and derivatives securities. This is a key audit matter due to the size of the balance and the judgements applied by MMJ in determining the fair value of investments.	Our procedures included, but were not limited to the following: • Reviewing investments held at 30 June 2019 and agreeing investments held to ownership documents; • Reviewing MMJ's assessment of fair value against the requirements of the relevant accounting standards, including agreeing costs and recalculating fair values at 30 June 2019; • Verifying the sales of investments during the year to supporting documentation; • Assessing MMJ's calculations of movements in fair value on its financial assets held at fair value through profit or loss; • Involving our internal specialist in reviewing the appropriateness of MMJ's valuation where deemed necessary; and • Assessing the adequacy of the related disclosures in notes 9 and 14 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 29 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of MMJ Group Holdings Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Jarrad Prue
Director

Perth, 24 September 2019

Additional information required by ASX Listing Rules

The additional information required the ASX Listing Rules set out below was applicable as at 18 September 2019.

1. Quotation

Listed securities in MMJ Group Holdings Limited are quoted on the Australian Securities Exchange under ASX code MMJ (fully paid ordinary shares).

2. Voting rights

The voting rights attached to the fully paid ordinary shares of the Company are:

(a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and

(b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are no voting rights attached to any options or performance rights on issue.

3. Distribution of shareholders

i) Fully paid ordinary Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	1,303	976,245	0.43%
1,001 - 5,000	7,421	20,177,354	8.91%
5,001 - 10,000	2,751	22,094,633	9.75%
10,001 - 100,000	3,282	94,636,227	41.78%
100,001 - 9,999,999,999	202	88,650,708	39.13%
Totals	**14,959**	**226,535,167**	**100.00%**

On 18 September 2019, there were 4,643 holders with an unmarketable holding, with total shareholding of 6,494,439 amounting to 2.87% of issued capital.

ii) Class H performance rights expiring on or before 26 February 2023

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	833,333	100.00%
Totals	**1**	**833,333**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Mr Jim Hallam – 833,333 performance rights

iii) Class I performance rights expiring on or before 26 February 2023

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	833,333	100.00%
Totals	**1**	**833,333**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Mr Jim Hallam – 833,333 performance rights

iv) Class J Performance Rights expiring on or before 26 February 2023

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	833,334	100.00%
Totals	**1**	**833,334**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Mr Jim Hallam – 833,333 performance rights

v) Class K Performance Rights

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	4,000,000	100.00%
Totals	**1**	**4,000,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Embark Ventures Inc. – 4,000,000 performance rights

vi) Class L Performance Rights

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	4,000,000	100.00%
Totals	**1**	**4,000,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Embark Ventures Inc. – 4,000,000 performance rights

vii) Class M Performance Rights

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	4,000,000	100.00%
Totals	**1**	**4,000,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Embark Ventures Inc. – 4,000,000 performance rights

viii) Class H Options exercisable at $0.27 on or before 31 January 2020

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	2	110,891	17.86%
100,001 - 9,999,999,999	2	510,000	82.14%
Totals	**4**	**620,891**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Ms Daniela Vaschi – 285,000 Options
Mikael Alexander Rykes – 225,000 Options

ix) Class K Options exercisable at $0.35 on or before 31 October 2021

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	1,500,000	100.00%
Totals	**1**	**1,500,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Ms Lisa Dea – 1,500,000 Options

x) Class L Options exercisable at $0.41 on or before 24 October 2021

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	1,000,000	100.00%
Totals	**1**	**1,000,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:
CHAVOO PTY LTD<MIDHURST SUPER FUND A/C> 1,000,000

xi) Class M Options exercisable at $0.33 on or before 3 April 2022

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	1	1,000,000	100.00%
Totals	**1**	**1,000,000**	**100.00%**

[1]Holders who hold more than 20% of securities are:
Mr Michael Curtis – 1,000,000 Options

4. Substantial shareholders

There are no substantial shareholders listed on the Company's register as at 18 September 2019.

5. Twenty largest shareholders

The twenty largest shareholders of the Company's quoted securities as at 18 September 2019 are as follows:

Position	Holder Name	Holding	% IC
1	PHEAKES PTY LTD <SENATE A/C>	8,500,000	3.75%
2	MR GEORGE CHIEN-HSUN LU	6,900,000	3.05%
3	CITICORP NOMINEES PTY LIMITED	6,243,802	2.76%
4	INTERNATIONAL WATER & ENERGY SAVERS LTD	3,257,100	1.44%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,389,792	1.05%
6	UNITED TROLLEY COLLECTIONS P/L	2,169,899	0.96%
7	MR GEORGE CHIEN HSUN LU & MRS JENNY CHIN PAO LU	2,161,114	0.95%
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,157,223	0.95%
9	LU'S INTERNATIONAL LIMITED	2,078,576	0.92%
10	GUIDO WIESMANN	1,939,402	0.86%
11	ETIAM PTY LIMITED	1,600,000	0.71%
12	SILVERINCH PTY LIMITED <THE SILVERINCH S/F A/C>	1,500,000	0.66%
13	JASON BEDNAR	1,400,000	0.62%
14	MR WON JUN CHUNG	1,358,000	0.60%
15	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,130,521	0.50%
16	JASON BEDNAR	1,026,522	0.45%
17	HENRIK SCHREIBER	764,117	0.34%
17	MR MAURUS REISENTHEL	764,117	0.34%
18	MR LUKE JOHN TEUMA	750,000	0.33%
19	MR GLEN ARMSTRONG	710,000	0.31%
20	ELYSIUM PACIFIC SOLUTIONS INC	705,326	0.31%
	Total	**49,505,511**	**21.85%**
	Total issued capital - selected security class(es)	**226,535,167**	**100.00%**

6. Restricted securities

There are no restricted securities listed on the Company's register as at 18 September 2019.

7. On market buy-back

On 7 June 2019, the Company announced its intention to commence, with effect from 27 June 2019, an on-market share buy-back program for shares up to a maximum of 10m ordinary shares. For year ended 30 June 2019 the Company acquired 500,000 of shares for average price of $0.2458 per share.

8. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 46 (2018 – 2). Each contract note could involve multiple transactions. The total amount of brokerage paid on these contract notes was $156,442 (2018:$1,960).

9. ASX Listing Rule 4.10.19

The Company's securities were reinstated to quotation following compliance with listing rule 11.1.3 on 22 November 2018. Pursuant to ASX listing rule 4.10.19 the Company confirms that it has used the cash and assets in a form readily convertible to cash that it had at 22 November 2018 in a way consistent with its business objectives for the period from 22 November 2018 to 30 June 2019.

10. Management Fees

The total management fees paid or accrued during the financial year were $28,394.

11. Summary of Management Agreement

On 7 June 2019 the Company executed a management agreement with Embark Ventures Inc. was effective from 1 June 2019. On 19 July 2019, the Company's shareholders approved:

a) The issue of 12,000,000 performance rights to Embark Ventures Inc.
b) The investment management agreement between the Company and Embark Ventures Inc which was effective from 1 June 2019.

Pursuant to ASX listing rule 4.10.20 (c) the Company provides a summary of the management agreement with Embark Ventures Inc.:

a) (Term): The appointment of Embark shall be for an initial term of three (3) years commencing on the date Shareholder approval is obtained by the Company (Term).
b) (Extension): There is no right of extension or renewal. Unless the Term is varied by the parties, the Management Agreement will end on expiry of the Term (if not terminated earlier).
c) (Exclusivity): Embark will provide the services to the Company on an exclusive basis during the Term. Embark may not assign their obligations without the consent of the Company, however, Embark is not precluded from providing services to another entity.
d) (Consideration): The Company must pay to Embark annual fees in an amount equal to;
    i. 0.50% per annum of the book value of the Company's investments as at 1 June 2019; and
    ii. 1.5% per annum of the book value of the Company's investments that are added after 1 June 2019,

(together, Management Fees). The Management Fees are capped annually at 1.0% per annum of the Company's year-end Net Asset Value.

e) (Expenses): The Company agrees to reimburse Embark on request of all costs and out-of-pocket expenses incurred by Embark in connection with its performance of the services.

f) (Termination):

Either party may terminate the Management Agreement by providing 3 months' written notice.

i. The Company may immediately terminate the Management Agreement at any time by notice to Embark if any key professional person or Michael Curtis leaves the employ of Embark's corporate group without the Company's consent.

ii. (Variation): The Management Agreement may only be varied or replaced by a document executed by the parties, all material variations will be subject to approval of the Shareholders as required by the ASX Listing Rules.

The Company has also issued Embark 12,000,000 performance rights. The key terms of the performance rights are follows:

(a) Milestones:

The Company issued Embark 12,000,000 performance rights (Performance Rights) after Company shareholder approval on the following terms:

(i) Subject to applicable tax and securities law compliance, the Performance Rights shall vest and be convertible by Embark in accordance with the mechanics set out below, on a one-for-one basis, into Shares in three (3) equal tranches of 4 million Shares (each, a Tranche) upon the Company achieving the following NAVS/SP Average hurdles, as follows:

(A) the first Tranche will vest upon achieving a NAVS/SP Average of at least $0.4047, (being a premium of at least 35% to the NAVS/SP Average on 1 June 2019 of $0.2998);

(B) the second Tranche will vest upon achieving a NAVS/SP Average of at least $0.5096, (being a premium of at least 70% to the NAVS/SP Average on 1 June 2019 of $0.2998); and

(C) the third Tranche will vest upon achieving a NAVS/SP Average of at least $0.5995, (being a premium of at least 100% to the NAVS/SP Average on 1 June 2019 of $0.2998),

(together, the Milestones).

The bulk of Embark's remuneration is linked to material increases in MMJ's share price and net asset value, through the issue of Performance Rights to Embark. The Performance Rights convert on a one-for-one basis, into MMJ Shares in three (3) equal tranches upon MMJ achieving a simple average of month end net asset (after tax) value per share ("NAVS") and 20 day VWAP share price (together, the "NAVS/SP Average") hurdles which represent the following premiums to the NAVS/SP Average at contract commencement:

Tranche	Vesting Hurdle – % premium to NAVS/SP Average	Hurdles cents	No. of performance rights issued
A	35%	0.4047	4m
B	70%	0.5096	4m
C	100%	0.5995	4m

For example, Tranche A would be issued if the hurdle of 40.47 cents is achieved within 18 months of Embark's appointment, which represents a prospective net asset value of 49 cents and a MMJ share price of 32 cents[8] if the discount of MMJ share price and NAVS have both risen by 31%.

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 VWAP for Shares calculated at month end.

(ii) In order to determine if the NAVS/SP Average performance hurdles have been achieved, both the month end NAVS will be determined (as at the close of business on the last calendar day of every calendar month) and the monthly VWAP of the Company's share price will be determined (as at the end close of trade on the last trading day of the calendar month). These two numbers will then be combined and divided by two to ascertain whether the hurdle has been achieved.

(iii) Where a Performance Right vests as a result of achieving the NAVS/SP Average performance criteria outlined above, Embark will have 12 months to convert the Performance Right into Shares or the applicable Performance Right will lapse.

(iv) The Performance Right shall have a period of 3 years to achieve the relevant NAVS/SP Average performance vesting hurdle from the date of issue and will lapse immediately if the hurdle is not achieved at the end of the 3-year term. The exception will be the first Tranche which will lapse immediately if the applicable Performance Right will lapse.

(b) Notification to holder:

The Company shall notify the holder in writing when the relevant Milestones have been satisfied.

(c) Vesting:

The relevant Performance Rights shall vest on the later to occur of:

(i) the date that the Milestone relating to that Performance Right has been satisfied; and

(ii) the date that the holder gives a notice to the Company confirming that the holder would like the Performance Rights to vest.

(d) Consideration:

The Performance Rights will be issued nil consideration.

(e) Conversion:

Upon satisfaction of the relevant Performance Rights vesting, each Performance Right will, at the election of the holder, vest and convert into one Share.

(f) Lapsing other than when Milestones are not satisfied

Where Embark is no longer engaged by the Company as a consultant for whatever reason, any unvested Performance Rights held will automatically lapse.

[8] Based on NAV of 37.21 cents as at 30 June 2019 and MMJ share price of 24.5 cents

(g) Share ranking:

All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.

(h) Listing of Shares on ASX:

The Company will not apply for quotation of the Performance Rights on ASX. However, the Company will apply for quotation of all Shares issued pursuant to the vesting of Performance Rights on ASX within the period required by ASX.

(i) Transfer of Performance Rights:

A Performance Right is only transferable with the prior written consent of the board or by force of law upon death to the holder's legal personal representative or upon bankruptcy to the holder's trustee in bankruptcy.

(j) Participation in new issues:

There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.

(k) Adjustment for bonus issue:

If securities are issued pro-rata to Shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the number of Performance Rights to which each holder is entitled, will be increased by that number of securities which the holder would have been entitled if the Performance Rights held by the holder were vested immediately prior to the record date of the bonus issue, and in any event in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the bonus issue.

(l) Adjustment for reconstruction:

If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Right (including the Milestones) are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

(m) Dividend and Voting Rights:

A Performance Right does not confer upon the holder an entitlement to vote or receive dividends.