

ASX RELEASE

22 January 2021

Embark Health – Investment Update

MMJ Group Holdings Limited (ASX:MMJ) ("MMJ") is an Australian-listed company whose core business is holding minority investments along the cannabis value-chain in Australia, Canada and Europe. MMJ is also able to make investments in sectors outside of cannabis, such as but not limited to, natural resources, pharmaceuticals and software services technology.

Embark Health Update

In the attached release Embark Health Inc. ("Embark") provided an update on the progress achieved during calendar 2020. Embark started the year as a pre-revenue applicant to Health Canada and ended the year with a processing licence (Issued February 7, 2020) and a sales licence to sell edibles, extracts and topicals (Issued December 4, 2020) from Health Canada.

MMJ holds approximately 12% of Embark with a current book value of \$13m (refer below).

In the attached release Embark provides commentary on:

- a) Its focus on selling its direct-to-consumer branded products through the provincial boards in addition to contract manufacturing activities; and
- b) Its strategic business development priorities including its contract manufacturing services, the securing of supply agreements with provincial bodies across Canada, its expansion of its processing facilities and its go public transaction.

Embark also re-stated its commitment to becoming public in 2021 and continues to pursue the completion of the business combination between Mesa and Embark (the "Transaction"). As previously announced on 11 December 2020, the Transaction will result in a reverse take-over of Mesa by the shareholders of Embark. The outside date for the Transaction is 31 March 2021 which would result in MMJ's investment in Embark being valued using the listed TSXV price of the listed entity.

Embark Health Inc. is an emerging leader in cannabis extraction, with a focus on the formulation and production of advanced 2.0 products for the Contract Manufacturing and Adult-use markets. Embark continues to be at the forefront of production of solventless concentrate products including Bubble Hash, Traditional Pressed Hash, Rosin and Dry Sift. With the acquisition of Embark Nano (formerly, Axiomm Technologies Ltd.) Embark is preparing to launch a suite of next generation Cannabis 2.0 products. The acquired portfolio of products and formulations support the mass production and distribution of advanced 2.0 products including cannabis-infused beverages, topicals, edibles and water-soluble powders.

Further detail on the operations of Embark Health may be found on the MMJ website www.mmjgh.com.au/portfolio/.

MMJ's investment in Embark Health

MMJ was a foundation investor in Embark Health in July 2018 – the investment has a book value of \$13m and now comprises:

- i. 3.697m ordinary shares (approximately 12% shareholding) in Embark Health with a book value of CAD2.44 per share¹.

¹ MMJ has retained the valuation of the Embark shares at CAD2.44 per share pending outcome of the capital raising associated with the pending listing of Embark which is targeted to conclude before 31 March 2021.

- ii. Warrants that provide the option for MMJ to acquire a further 1.0m shares at CAD1.75 each up with maturity date of two years after a Liquidity Event².
- iii. Warrants that provide the option for MMJ to acquire a further 1.2m shares at CAD1.24³ each up with maturity date of two years after a Liquidity Event.
- iv. Warrants that provide the option for MMJ to acquire a further 1.125m shares at CAD4.80 each up with maturity date of two years after a Liquidity Event.
- v. MMJ had generated a total return⁴ of 1.8 times on its investment.

Investor and Media Enquiries

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

About MMJ

MMJ Group Holdings Limited (ASX:MMJ) ("MMJ") is a listed global cannabis investment company (ABN 91 601 236 417) whose core business is holding minority investments along the cannabis value-chain including cultivation, extraction, crystallisation, product manufacture, retail and patient services. in Australia, Canada and Europe. . MMJ also invests up to 25% of its total consolidated assets in sectors other than cannabis such as (but not limited to) natural resources, pharmaceuticals and software services technology.

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

Important Notice

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

² A Liquidity event is an initial public offering or a material sale event.

³ Exercise price has based on MMJ book value of CAD2.44 per share

⁴ The return comprises all cash income, sale proceeds, accrued income and fair value of investment at date of calculation.

Glossary

ABBREVIATION	Definition
AUD	means Australian dollars.
AASB	Australian Accounting Standards Board.
ACMPR	means Access to Cannabis for Medical Purposes Regulations.
ASX	means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.
ASX Listing Rules	means the Listing Rules of ASX.
B2B	Business to business
CAD	means Canadian dollars.
CBD	means Cannabidiol (CBD) is a crystalline, nonintoxicating cannabinoid in cannabis and hemp.
CBG	means Cannabigerol is the non-acidic form of cannabigerolic acid, the parent molecule from which other cannabinoids are synthesized.
Company or MMJ	means MMJ Group Holdings Limited (ACN 601 236 417).
EBITDA	means Earnings before Interest, Tax, Depreciation and Amortisation.
GMP	GMP stands for Good Manufacturing Practices and refers to a system of manufacturing that guarantees reproducibility of product quality to set specifications.
LPs	Canada's Licensed Producers of Cannabis Products
M	means million
MMPR	means Marihuana for Medical Purposes Regulation
MOIC	means multiple on invested capital
NTA	means net tangible assets.
Option	means an option to acquire a Share usually at predetermined price.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a registered holder of a Share.
THC	means THC is the principal psychoactive constituent of cannabis
TSXV	Toronto Stock Exchange Venture
Warrant	means an option to acquire a Share usually at predetermined price.
WST	means Western Standard Time as observed in Perth, Western Australia.

[VIEW UPDATE IN BROWSER](#)

FOR IMMEDIATE RELEASE

JANUARY 21ST 2021



Embark Health—January 2021 Shareholder Update

Dear Shareholders, Directors and Employees,

Happy New Year!

Embark Health Inc (“Embark” “or the Company”) is pleased to report on its progress of 2020, a year of significant growth for the Company. We started the year as a pre-revenue applicant to Health Canada, and we ended the year with a processing licence (Issued February 7, 2020) and a sales licence to sell edibles, extracts and topicals (Issued December 4, 2020) from Health Canada. Embark continues its focus on selling its direct-to-consumer branded products through the provincial boards in addition to contract manufacturing activities.

In 2021 Embark will continue to deliver its strategic business development priorities. Contract manufacturing services have proceeded to scale throughout Q3 and Q4 of 2020. To date we have entered into Extraction Service Agreements for tolling with Licensed Producers for the purposes of supplying bulk 2.0 products such as Bubble Hash, Dry Sift, Traditional Pressed Hash, and Rosin.

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Embark is delighted to announce that the company has signed Definitive Supply Agreements with the provinces of British Columbia and Alberta for the supply of Bubble Hash launching under **The Hank Co.** brand. Into 2021, Embark continues to focus on securing Supply Agreements with the other provincial bodies across Canada. Further to securing supply agreements, Embark is focused on expanding its brand and product portfolios into the provinces. Embark launched The Hank Co. brand of solventless concentrates in January 2021 and will begin shipping to the provinces of British Columbia in the coming weeks. The initial products to launch in the adult-use market will be two SKUs of Bubble Hash. The Hank Co. high and mid-grade potency Bubble Hash is produced from BC grown full flower trichome heads only.

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Embark's approach is to work with master cultivators and suppliers of unwavering quality. The Embark team's experience and expertise blends tradition, artistry, craftsmanship and technology; producing pure, solventless concentrates. This approach sets the Embark team apart from other producers in this product segment. Embark's next generation 2.0 solventless product portfolio will continue to expand into the retail market through Q1 and Q2 2021 with the inclusion of Rosin, Dry Sift and Pressed Hash.

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The Hazel Brand will be launching with unique concentrate-based products in Q2 2021. Solvents-based extracts and concentrates are expected later in 2021.


EmbarkNano™

In addition to the Solventless extraction, Embark is excited to be launching new brands leveraging the **EmbarkNano** technology in Q2 and Q3 2021. The EmbarkNano brands will focus on a number of product segments.

A black rectangular box containing the word "Meridian" in a white, bold, serif font, centered horizontally and vertically.

Meridian

The Meridian brand of rapid onset topicals will launch in the Health and Wellness segment of the adult-use market.



DISTILLED
AND
INFUSED

Embark will also be launching the rapid onset flavoured liquid beverage and powder mix products in the beverage and edible segments of the recreational market under the Distilled and Infused brand. This follows the rebranding of Axiomm Technologies to EmbarkNano as part of the acquisition finalized in September 2020. The rebranding was completed internally by the Brand and Marketing team members and the initiative encompassed the entire brand platform. Please see the initial brand reveal at **embarknano.com**.

Embark is thrilled with the EmbarkNano portfolio of products for the adult-use market and the introduction of this next phase of strategic growth. Embark is dedicated to these priorities, which are expected to generate long-term shareholder value and accelerate the path to profitability.

Go Public Strategy

Embark is committed to becoming publicly listed in 2021. In 2020, unfavorable capital market conditions for cannabis start-ups have compelled Embark to push back on its go public to match with the ramp up of revenues. Embark and Mesa Exploration agreed to an amendment to the Letter of Intent executed on October 15, 2020, which saw the Definitive Agreement being signed on December 15, 2020. The outside date for completing the RTO is now March 31, 2021, with a three-month extension at the option of Mesa. The price of the transaction has changed to \$1.7MM, with Mesa being entitled to a break fee of \$200K. A comprehensive news release will be issued by Mesa and Embark setting out the terms of the RTO, which shall include information about Mesa upon closing of the RTO and the proposed financing of Embark in connection with the Transaction (the "Concurrent Financing"). A copy of the Letter of Intent is available on SEDAR.

the-ART Facilities



Construction at the Delta facility continues with the balance of Phase 1 (1st floor) for a total of 16,000+ ft² under GPP, which will enable additional extraction modalities (CO₂), expanded packaging capacity and the production of an extensive portfolio of adult-use 2.0 products with EmbarkNano. This also allows for additional scale with Embark's existing solventless modalities. The expected completion of first floor is the end of April 2021.

Construction has continued on Embark's Woodstock facility with the overall superstructure completed. We are building the facility in phases to be capital conscience and be able to adapt to the ever-changing industry. There have been some delays due to the COVID-19 pandemic, however, progress continues on the facility. We plan on having Phase 1 ready for the harvest in October 2021. **You can view the progress of the Woodstock facility on the following video.**

Embark Nano leases a 4,600 ft² facility in Calgary, AB. This facility is dedicated to the production of nano precursors as well as R&D on nano products. Because the Calgary facility is not licensed under the *Cannabis Regulations*, our Delta facility is used to complete the work from the non-controlled precursors produced in Calgary. There is no plan to license the Calgary facility under the Cannabis Regulations at this point in time.

[VIEW WOODSTOCK FACILITY VIDEO](#)

Embark continues to move forward with operational excellence initiatives enabling the company to bring more future focused products to market and deliver on the expectations consumers have of Embark. Consumer preferences are shifting toward more advanced 2.0 products such as the growing segments of edibles, topicals and beverages. Embark made the strategic decision to move in this direction with the acquisition of EmbarkNano and their portfolio of 2.0 products. With that Embark has paused on their vape product development to deliver on strong brands with differentiated product portfolios that align with these advanced consumer preferences.

Health & Safety

Dedication to our employees' health and safety is part of our commitment to quality as a core value of Embark. We embed safety excellence in all of our activities through employee collaboration and participation in the H&S program review and development. Compliance with regulations is fundamental, and the program continues to evolve beyond this objective as we grow. In line with our mission, Embark seeks to be a best-in-class leader in our safety program, which we will achieve through training, assessments, recommendations, and implementing initiatives with that end in mind. We have implemented tools and platforms as a means to provide employees with feedback mechanisms and to provide management with real-time data and metrics regarding ongoing employee satisfaction.

About COVID-19

COVID-19 has presented difficult circumstances for millions of Canadians in many different ways. I am grateful for our team's hard work in response to the circumstances, particularly frontline staff at our manufacturing facilities in Delta and Calgary. For Embark, the pandemic has not slowed us down or impeded our progress. We remain diligent in the monitoring of potential impacts of COVID-19 on our front-line team and individual operations and continue to adhere to the guidance issued by the Government of Canada and health-care professionals.

About Embark Health Inc.

Embark Health Inc. is an emerging leader in cannabis extraction, with a focus on the formulation and production of advanced 2.0 products for the Contract Manufacturing and

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With the acquisition of Embark Nano (formerly, Axiomm Technologies Ltd.) Embark is preparing to launch a suite of next generation Cannabis 2.0 products. The acquired portfolio of products and formulations support the mass production and distribution of advanced 2.0 products including cannabis-infused beverages, topicals, edibles and water-soluble powders. For more information, please visit www.embarknano.com.

Embark's mandate is to pursue best in class production processes resulting in premium quality commercial and consumer extraction products. Embark is dedicated to unleashing the full potential of the cannabis plant through scientific approaches to extraction and the production of quality products to enhance everyday life. For more information, please visit www.embarkhealthinc.com.

For Further Information Contact:

IR@embarkhealthinc.com



embarkhealthinc.com

FORWARD LOOKING STATEMENTS

This news release contains “forward-looking information” within the meaning of applicable securities laws including statements regarding the completion of the RTO and the timing thereof, the success of the Concurrent Financing, the benefits of the EmbarkNano technologies to the future prospects of Embark, sale of Embark products into other provinces, the expansion of the Delta facility and its effects on the scaling of Embark’s operations, the completion of the Woodstock facility, the ability to leverage its existing cannabis 2.0 products for the Canadian market, Embark’s ability to increase production and offer new products and services following receipt of applicable licences, the continued business-to-business activities of Embark, and the effects of the aforementioned activities on the operational and financial condition of Embark. Although Embark believes in light of the estimates by management, current conditions and expected future developments and other factors, that the expectations reflected in this forward-looking information are reasonable, undue reliance should not be placed on them. Accordingly, Embark can give no assurance that they will prove to be correct. Actual results and developments may differ materially from those contemplated by these statements depending on, among other things, changes in economic conditions or financial markets; regulatory delays; increases in costs; litigation; legislative, environmental and other judicial, regulatory, political and competitive developments; and technological or operational difficulties. This list is not exhaustive of the factors that may affect our forward-looking information. The statements in this press release are made as of the date of this release. The Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements unless and until required by securities laws applicable to the Company.

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