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ASX RELEASE

11 November 2021

MMJ Investment Portfolio Report as at 31 October 2021

MMJ Group Holdings Limited (ASX: MMJ) ("MMJ" is an Australian-listed specialist investment company which concentrates on producing capital growth for shareholders over the medium to long term from investments in listed and unlisted equities and other financial assets.

MMJ Investment Portfolio Report as at 31 October 2021

MMJ is pleased to provide the MMJ Investment Portfolio Report as at 31 October 2021 which includes the disclosure pursuant to Listing Rule 4.12.

Investor and Media Enquiries

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About MMJ

MMJ Group Holdings Limited (ASX:MMJ) ("MMJ") (ABN 91 601 236 417 is an Australian-listed specialist investment company which concentrates on producing capital growth for shareholders over the medium to long term from investments in listed and unlisted equities and other financial assets.

Important Notice

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



Investment Portfolio Report

31 October 2021

MMJ Investment Portfolio

 Medical and Recreational Cannabis Products	 Medical and Recreational Cannabis Extraction Products	 Health, Wellness and Self-care Cannabis Products	 Hemp Extracts Products
 Medicinal Cannabis Clinics & Research	 Recreational Cannabis Products	 Wine	 Healthcare

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About MMJ

MMJ Group Holdings Limited (ASX: MMJ) is an Australian-listed, specialist investment company that has traded on the ASX since 2015. Investors in MMJ gain exposure to a portfolio which concentrates on producing capital growth for shareholders over the medium to long term from investments in listed and unlisted equities and other financial assets.

Investments are managed by Parallax Ventures Inc., a specialist management company in Canada, under a long-term strategic partnership.

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 to the benefit of MMJ and its shareholders:

21	9	4	10
Primary Acquisitions	Follow on investments ¹	Private to public	Sale of investments

MMJ Investment Performance²³

MMJ Historical Performance - period ended	31-Oct-21				
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	(4)%	(10)%	(11)%	(0)%	(15)%
Benchmark	(6)%	(26)%	(35)%	26%	(21)%
Out/(under) performance	2%	17%	24%	(26)%	6%

For MMJ's latest investor presentations and news, please visit www.mmjgh.com.au

General Investor Queries	Share Registry
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W: mmjgh.com.au	P: 1300 288 664
	W: automic.com.au

Performance Update

Net Tangible Asset Value Per Share Before Tax⁴ as at 31 October 2021

\$0.1681

Net Asset Value as at 31 October 2021

\$36m

Investment Return for 12 months ended 31 October 2021

(0)% p.a.

Key Metrics as at	31-Oct-21	AUD
Net Asset Value	m	36
Investee Portfolio (ex cash)	m	32
Cash	m	6
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)		0.1681
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)		0.1562
Net Asset Value per share		0.1565
MMJ share price (ASX)		0.069
Market capitalisation	m	16
Number of investments (ex cash)		9
ASX Investment Type		Listed Investment Company
Initial Public Offering Date (inception date)		22-Jan-15
No. of ordinary shares on issue	m	230

MMJ shareholder communications

Webinars and copies of announcements related to MMJ's operations may be found on the MMJ website: www.mmjgh.com.au.

MMJ will host a live audio webinar of the Investor Conference Call on 17 November 2021. In this webinar, Michael Curtis, MMJ Non-Executive Director and Managing Partner of Parallax Ventures Inc, the asset manager of MMJ's investments, will give an update on the Canadian cannabis demand and update on major investments.

¹ Includes investments in existing investees.

² Inception is 30 June 2018 being the date when MMJ commenced accounting for investments as an investment entity.

³ 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.

⁴ Net Tangible Asset Value per share – unaudited, before tax on unrealised gains on investment portfolio. The financial information within this report is unaudited.

MMJ NEWS**Performance of MMJ Portfolio as at 31 October 2021**

During the four months ended 31 October 2021, MMJ's Net Asset Value (before provision for deferred tax) decreased 11%. This was a favourable performance compared to our benchmark, which declined 35% over the same period reflecting in large part a decline of similar magnitude in the listed Canadian cannabis sector. Performance for the 12 months to 31 October 2021 was flat.

The MMJ portfolio remains heavily weighted to unlisted investments. MMJ's listed assets and unlisted assets⁵ are directly valued with reference to a listed security price representing 34% of MMJ's portfolio at 31 October 2021. The significant unlisted bias positively impacted the performance relative to the benchmark over the year to date. However, it continues to be a material contributor to the sustained discount (56%) that the MMJ share price trades to its NAV.

Proposal to Broaden MMJ's Investment Mandate

MMJ announced that its 2021 Annual General Meeting (AGM) would be held as a virtual meeting on 17 December 2021. The AGM will include two items of Special Business.

a) Broadening MMJ's Investment Mandate

The Company is proposing, subject to Shareholder approval at the AGM, to broaden its existing investment mandate. If approved, the current restriction that limits the Company's investments in non-cannabis assets to 25% of its total assets would be removed. The Company believes that there are opportunities to enhance the returns to Shareholders by further diversifying its investment portfolio to include strategic investments in sectors outside of Cannabis (Diversification). The Company has already made significant steps over the past twelve months to diversify the portfolio through investments in the consumer branded products and healthcare sectors.

The proposed Diversification will allow the Company to:

- i. expand its existing investment portfolio and invest in other industries with a view to delivering capital growth over the medium to long term; and
- ii. create greater opportunities for Shareholders to benefit from the growth of a diversified group of investments, in addition to the Company's existing investments.

The proposed Diversification is an internal process, which will broaden the Company's existing investment strategy with Parallax Ventures Inc. continuing to be the Investment Manager of the Company's investments.

b) Change in Company Name

The Company is proposing, subject to Shareholder approval at the AGM, to change its name to "Hygrovest Limited".

The Board proposes this change of name on the basis that it believes the proposed name more accurately reflects the future operations of the Company in line with the proposed broadening of the Company's investment mandate.

Funding Position

MMJ is well positioned to create value from its existing portfolio with a liquid balance sheet and cashflows from its investments. MMJ has total assets of \$39m, with immaterial current liabilities, comprising cash of AUD6m and a portfolio of listed equities (CAD4m), listed convertible loans (CAD3.7m) and unlisted loan securities (CAD3.5m), which provide interest income with flexibility to fund flow on investments, effect timing of investment exits and MMJ's operating requirements. During October, MMJ received a tax refund of \$4.6m in respect of the financial year ended 30 June 2021.

Investment Portfolio

MMJ's portfolio management is focussing on creating a portfolio that invests in private (typically pre-IPO) and public companies in high growth industries, where the MMJ Board perceives there to be material upside potential.

MMJ entered the 2022 financial year expecting that one or more of its key unlisted investee companies would move to realise their inherent value by a liquidity event⁶. This would be positive for MMJ, after FY21 when a number of unlisted investee companies deferred their IPO intentions.

⁵ These assets comprise Embark Health (uses the listed Bevcanna share price) and VVE which uses the VVE security prices

⁶ A liquidity event may include a public listing on recognised stock exchange, a sale of 100% of the investee or sale of MMJ's own investment in our own right

MMJ is seeking to reduce the gap of the share price to NAV by:

- i. diversifying its investment mandate to include sectors where the Board considers provide the prospect of higher returns such as natural resources, the digital economy and healthcare; and
- ii. working with MMJ's two largest investments, Weed Me and Southern Cannabis Holdings, to achieve liquidity events during the next 12 months.

Outlined in the table below is the current strategy for MMJ's portfolio of investments:

	Book Value (unaudited)	
	31-Oct-21 AUDm	Current Portfolio Strategy
Weed Me	9.5	Best performing investment in MMJ's portfolio. Weed Me is in a high revenue growth stage - MMJ is working with the Company to maximise the exit value during next 12 months.
Harvest One	4.6	MMJ's is the largest shareholder of Harvest One with 22% holding in the restructured listed business.
Entourage Health Corp	4.3	MMJ is holding its convertible notes until maturity in September 2022 - currently 40% discount to face.
Southern Cannabis Holdings	4.2	Southern Cannabis Holdings (SCH) is diversifying products to continue sales growth - MMJ is working with SCH's management to produce a liquidity event in the next 12 months.
Sequoia	3.8	Sequoia is seeking new capital. MMJ is considering an extension of loan facilities.
Vintage Wine Estate	2.6	MMJ is a small investor in this listed business, Vintage Wine Estate - Investment is in escrow until December 2022. MMJ is not a long-term holder.
Embark Health	1.7	MMJ's investment will be acquired by Bevcanna (listed investee company) subject to shareholder approval in November 2021 and also providing MMJ with a liquidity event. MMJ will receive listed Bevcanna shares to be released progressively from escrow in the next 12 months.
Brainworks Foundry Inc.	1.3	Brainworks Foundry is a new investment in digital healthcare that was made in September 2021.
Cash	6.0	Funds for new investment and operating costs.

Parallax Ventures Inc. Sector Update – October 2021

There have been some green shoots in the cannabis sector this week in the United States with the MSO's (multi state operators) bouncing off their lows. These names have been buoyed due to speculation regarding a positive legislative outlook in the US congress. However, the cannabis sector overall continues to struggle getting traction with institutional investors. Our benchmark MJ Alternative Harvest Index is still down roughly half from its high in February. The Aussie cannabis names haven't performed significantly better either with even well-known names such as Little Green Pharma underperforming the broader markets.

We are clearly in something of a 'cannabis winter' like where oil and commodity stocks were about five years ago. However, we do believe in the long-term potential of the space and believe the fundamentals of the industry will in time drive the total market cap of the industry much higher.

In the meantime, we continue to focus on high grading our cannabis assets and diversifying the portfolio with non-cannabis assets to help de-risk our exposure. Recently we have deployed capital into several new deals, majority of which are non-cannabis. We continue to scour the markets for non-cannabis exposure while bolstering our cannabis companies which are outperforming in this difficult environment. With that backdrop, lets dive into some specific company news:

Publicly Listed Companies:

- **Vintage Wine Estates (VWE).** Vintage Wine Estates expects to close fiscal 2021 with revenue of US\$221 million which is 16% up over the prior year. They also expect that in fiscal year 2022 they will achieve 35% pro forma adjusted EBITDA growth over 2021.
- **Embark Health/BevCanna (BEV).** Embark Health's amalgamation with BevCanna is expected to close before the end of November and henceforth MMJ will own shares in publicly listed BevCanna.
- **Harvest One (HVT).** HVT recently reported Q4 and year-end financials – the Company has grown revenues by 2.2% year over year and annual net revenue ending June 2021 stands at \$7.96 million. Trade payables and liabilities are now at \$6.9mIn vs \$14.55mIn the year prior which is a major improvement.
- **Entourage Health (ENTG).** Entourage Health announced preliminary Q3 revenue ended September 2021 of \$14.7 million which again would be a record quarter. This would be the third consecutive quarter of revenue growth.

Privately Held Companies:

- **Weed Me.** Weed Me continued to produce record-breaking monthly revenues in August and September and is likely now one of the largest if not the largest privately held producers in Ontario.
- **Southern Cannabis Holdings.** Southern Cannabis Holdings continues to deliver steady financial results and management is focusing attention on their Prescription Vape and Online dispensary businesses which are expected to be higher growth.

Appendix One

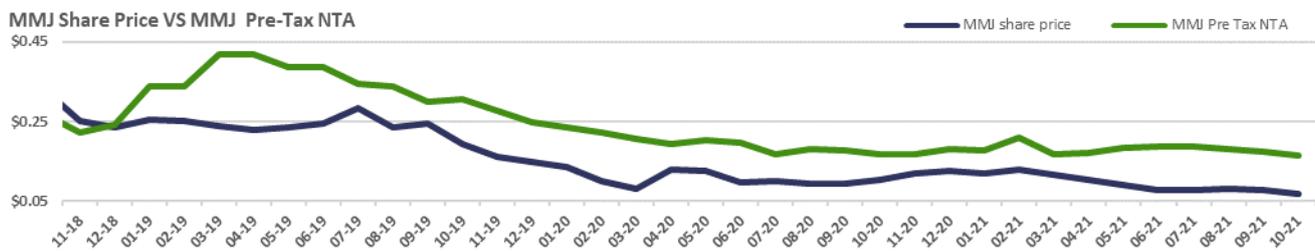
1. The year-to-date performance of MMJ's NTA is detailed below⁷:

Table One

MMJ Historical Performance - financial year to date									
		30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	31-Jul-21	31-Aug-21	30-Sep-21	31-Oct-21
Share price \$	AUD	0.335	0.245	0.096	0.077	0.079	0.081	0.078	0.069
Net Asset Value	AUD	0.2879	0.3721	0.1924	0.1750	0.1729	0.1690	0.1639	0.1565
NTA Post Tax \$	AUD	0.2860	0.3718	0.1925	0.1747	0.1725	0.1686	0.1636	0.1562
NTA Pre Tax \$	AUD	0.2900	0.3874	0.1976	0.1885	0.1863	0.1814	0.1754	0.1681
Net Return - pre tax NTA - year to date		n/a	34%	(49)%	(5)%	(1)%	(4)%	(7)%	(11)%
Premium/(discount) of share price to pre tax NTA		16%	(37)%	(51)%	(59)%	(58)%	(55)%	(56)%	(59)%
Premium/(discount) of share price to NAV		16%	(34)%	(50)%	(56)%	(54)%	(52)%	(52)%	(56)%

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

Chart One



3. MMJ's investment portfolio is detailed in Table Two:

Table Two

Investment	CSE/ TSX/ TSX Code	Initial Investment date	Country	Company type	Investment structure	Business	MOIC (current portfolio) 31-Oct-21 Times	Book Value (unaudited)	Weight	Book Value (unaudited)	Weight	Book Value (unaudited)	Weight
								31-Oct-21 AUDm		30-Jun-21 AUDm		30-Jun-20 AUDm	
Harvest One	HVT	Apr-17	Canada	Listed	Shares and warrants	Health and wellness products	0.3	4.6	12%	7.2	17%	8.9	19%
Entourage Health Corp	ENTG.DB and ENTG.WT	Sep-19	Canada	Listed	Convertible notes and warrants	Cannabis products for both the medical and adult-use markets.	0.8	4.3	11%	4.5	10%	3.4	7%
Listed investments								8.9	23%	11.7	27%	12.3	27%
Embark Health		Jul-18	Canada	Unlisted	Shares and Warrants	CBD and THC Extraction	0.2	1.7	4%	2.6	6%	13.2	29%
Weed Me		Dec-17	Canada	Unlisted	Shares	Cultivation and sales of branded cannabis products	3.4	9.5	25%	9.5	22%	6.0	13%
Sequoia		Jul-19	Canada/ Poland	Unlisted	Convertible note and shares	CBD Extraction	0.9	3.8	10%	3.8	9%	3.6	8%
Southern Cannabis		Apr-18	Australia	Unlisted	Shares	Medicinal cannabis clinics and research	4.1	4.2	11%	4.3	10%	2.1	5%
J Supply		Feb-19	Canada	Unlisted	Shares	Retailer of cannabis products	n/a	0.3	1%	0.3	1%	0.2	0%
Unlisted investments								19.2	50%	20.3	47%	24.9	55%
Total cannabis/hemp portfolio								28.0	73%	32.0	73%	37.1	82%
Vintage Wine Estate		Aug-19	Canada	Unlisted	Bespoke A Limited Partnership holds VWE shares and founders warrants	Investment in beverage businesses	1.7	2.6	7%	3.2	7%	3.5	8%
Brainworks Foundry Inc.		Aug-21	USA	Unlisted	Shares	healthcare	1.0	1.3	3%	0.0	0%	0.0	0%
Total non-cannabis								3.9	10%	3.2	7%	3.5	8%
Cash							0.6	6.0	16%	3.4	8%	1.0	2%
Company tax refund receivable								0.3	1%	4.6	11%	0.0	0%
Total Portfolio								38.3	100%	43.5	100%	45.5	100%

⁷ The results for 30 June 2018, 30 June 2019, 30 June 2020 and 30 June 2021 are for the year ended on those dates.

Appendix One continued

4. MMJ listed investments

The details of MMJ's listed investments are detailed in Table Three below:

Table Three

Investment	TSXV/ TSX Code	Valuation methodology	Number of securities 31-Oct-21	Market Price 31-Oct-21 Foreign Currency	Book Value (unaudited)	Book Value (unaudited)	Book Value (unaudited)
					31-Oct-21 Foreign Currency	31-Oct-21 AUD000	30-Jun-21 AUD000
Harvest One							
- shares	HVT	listed price	55,557,994	0.070	3,889	4,172	6,261
- warrants	unlisted	Black Scholes using listed price as key input	17,083,333	0.021	359	385	963
Total MMJ investment					4,248	4,557	7,224
Entourage Health Corp							
- debentures	ENTG.DB	Listed price - the total number of securities multiplied by listed price divided by 100	6,000,000	62.0	-	-	-
- warrants	ENTG.WT	Listed price	3,750,000	0.030	113	121	221
Total MMJ investment					3,833	4,111	4,471
Vintage Wine Estate							
- shares	VWE.U	Listed price	60,000	10.1	-	-	-
- warrants	VWE.WT.U	Listed price	666,670	1.990	604	800	962
Total MMJ investment					1,930	2,558	3,179
MMJ's Listed investments					8,081	8,668	11,695

5. Divestments by MMJ

The details of the investments sold by MMJ are detailed below:

Table Four

Divested Investment	Method of sale	Partial/ complete	Date of divestment	Net proceeds (AUDm)	Capital invested (AUDm)	MOIC
MediPharm Labs	on market	complete	Jun-20	34.1	9.2	3.7
Axiomm	takeover	complete	Sep-20	0.7	0.7	1.0
Bevcanna	on market	complete	Dec-19	0.6	0.8	0.8
Fire & Flower	on market	complete	Apr-20	1.5	1.0	1.5
Hemple	private sale	complete	Jul-20	0.3	1.3	0.2
Esense	on market	complete	May-18	0.4	0.5	0.8
Dosecann	takeover	complete	May-18	5.9	2.5	2.3
Total				43.5	16.0	2.7

6. Unlisted securities held by MMJ⁸

(a) Embark Health (Embark)

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

- i. 3.697m ordinary shares (approximately 12% shareholding) in Embark.
- 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 Event⁹.

⁸ Information as at 31 October 2021.

⁹ A Liquidity event is an initial public offering or a material sale event.

- iii. Warrants that provide the option for MMJ to acquire a further 1.2m shares at CAD1.24 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.

On 20 September 2021, BevCanna Enterprises Inc. (CSE:BEV) ("BEV" or "BevCanna") announced an offer (the "Offer") to acquire 100% of Embark. Under the terms of the Offer:

- BevCanna would acquire all of the issued and outstanding shares of Embark (the "Shares") from its shareholders.
- BevCanna will acquire the Shares in consideration for a purchase price of 46.7m BevCanna shares¹⁰, plus potential future earn-outs, which will be subject to the adjustments (the "Purchase Price"). BevCanna will satisfy the Purchase Price as follows:
 - a) The issuance of 46.7m common shares of BevCanna to Embark Shareholders at closing (the "Initial Consideration").
 - b) A further amount upon earn-out milestones in respect of Embark's post-acquisition financial performance (the "Earn-Out") being achieved. At this point MMJ is not in a position to provide a reasonable estimate of the value of the Earn-Out.

MMJ has valued its investment in Embark using the BEV share price at month end.

MMJ has been advised that the issue of the BevCanna Shares pursuant to the Initial Consideration will be completed following the satisfaction of all conditions in the acquisition agreement and on a date mutually agreeable to the parties. It is expected that the Offer will be completed by the end of 2021.

The BevCanna Shares received by Embark Shareholders are part of the Initial Consideration (including MMJ), and will be subject to voluntary resale restrictions, with 1/12th of the BevCanna Shares received being released from the resale restriction on the last day of each month following closing of the Offer for a period of one year.

(b) Weed Me

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

- i. 3.642m shares (book value of CAD2.44 per share) representing approximately 13% of Weed Me's issued capital.

(c) Southern Cannabis Holdings (**SCH**)

MMJ became an investor in SCH in April 2018 which now comprises:

- i. 21m shares (book value of 20 cents per share) representing approximately 17% of SCH's issued capital.

(d) Sequoya

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

- i. CAD2.5m convertible note (advanced July 2019) is unsecured (subject to negative pledge) with an interest rate of 8% per annum and a maturity date of 19 July 2021. The convertible note is convertible (at MMJ's option) into Sequoya ordinary shares at CAD0.05 each.
- ii. CAD2.5m convertible note facility (executed April 2020) drawn to CAD1.0m, has first ranking security bearing interest of 8% per annum and a maturity date of 15 April 2022. The convertible note is convertible (at MMJ's option) into ordinary shares at CAD0.10 per share.
- iii. 19m ordinary shares (27% shareholding) in Sequoya.

(e) Harvest One (**HVT**)

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

- i. 55,557,994 common shares of HVT (the "Common Shares") (22% shareholding).
- ii. 17,083,333 Common Share purchase warrants (the "Warrants"). Each Warrant entitles the holder to purchase one listed Common Share at a price of CAD0.06 at any time until April 3, 2022.

(f) Entourage Health Corp (**Entourage**) (formerly known as WeedMD)

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

- i. CAD6m in 8.5% unsecured Convertible Debenture units issued by Entourage which MMJ has the option to convert into 3.75m shares by 25 September 2022. The debenture units have preference over ordinary shares with interest paid to MMJ on a six-monthly basis. The market value of the notes is calculated by multiplying the CAD6m by the market price divided by 100.
- ii. Listed Warrants that allow MMJ to acquire an additional 3.75m shares for CAD1.80 each by 25 September 2022.

(g) Vintage Wine Estates, Inc. (**VWE**)

MMJ was a foundation investor in VWE (formerly known as Bespoke Capital Acquisition Corp) (TSX: VWE, VWE.WT.U) through its investment in Bespoke A LP – MMJ's investment has an indirect economic interest in the Founder's Shares and Founder's Warrants (the investment decisions are controlled by the General Partner which is Bespoke Capital Partners LLC) as follows:

- i. 60,000 Founder's Shares which are equivalent to 60,000 listed common shares of VWE (the "Common Shares").
- ii. 666,667 Founder's warrants which are equivalent to the listed Share purchase warrants (the "Warrants"). Each Warrant entitles the holder to purchase one listed Common Share at a price of CAD11.50 at any time until five years after completion of the Qualifying Transaction.

The Founder's Shares and Founder's Warrants are subject to a lock up agreement for 18 months from closing of the transaction on 7 June 2021.

(h) Brainworks Foundry Inc. (**Brainworks**)

MMJ's investment was made in August 2021 and comprises:

- i. 1,234,568 shares (book value of USD81 cents per share) representing approximately 7% of Brainworks' issued capital.

7. Valuation of Assets

MMJ values its investments by applying the following principles:

- (a) Listed securities – the book value is based on the closing share prices for public companies at period end converted into Australian dollars at the relevant prevailing foreign exchange rates at month end.
- (b) Unlisted equity securities - MMJ's preference is to value its unlisted investments applying an Enterprise Value to Revenue Multiple provided these valuations are materially consistent with any recent capital raises by the investee. In the absence of material historical revenue, the book value is based on the most recent material funding round share prices for private companies converted into Australian dollars at the relevant prevailing foreign exchange rates. In the absence of a recent capital raise or arm's length transaction, management considers all available information, including benchmarking of instruments to market movements indicated by relevant indices. MMJ also takes in to account the recommendations of its asset manager, Parallax Ventures, where it is considered that the fair value should be less than book value in the absence of other valuation indicators due to outlook for the individual business.
- (c) Convertible debentures and loan instruments – the book value is based on MMJ's assessment of the capacity of the investee to repay principal and interest.

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

The Net Asset Value or NAV is calculated after deducting a provision for company tax on any net unrealised gains that may arise on such a theoretical disposal. MMJ does not hedge the carrying value of existing investments denominated in non-AUD currencies. MMJ's financial statements are subject to statutory audit or review by our independent auditor BDO Audit (WA) Pty Ltd, at 31 December and 30 June each year.

Note:

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

8. Dividend Policy

On 7 June 2019, MMJ announced its intention to distribute 20% of its annual profit after tax after excluding unrealised gains and losses on investments (Annual Profit). The policy first applied in respect of the Annual Profit for the year ended 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 any dividend would benefit from available franking credits held by MMJ. MMJ updated shareholders that there was no dividend payable in respect of the year ended 30 June 2021 in the Appendix 4E released on 27 August 2021.

9. Investment Policy

MMJ Group Holdings Limited (ASX: MMJ) is an Australian-listed, specialist investment company that has traded on the ASX since 2015. Investors in MMJ gain exposure to a globally diversified portfolio focused on investing in private (typically pre-IPO) and public companies in high growth industries.

Currently, MMJ's investments are largely minority holdings in Australian and offshore cannabis-related businesses reflecting the company's early focus. MMJ has expanded its investment mandate to other high growth industries such as but not limited to, natural resources, healthcare and the digital economy.

In November 2020, MMJ's shareholders approved the broadening of the MMJ investment mandate to include strategic investments in sectors outside of cannabis, which will comprise no more than 25% of MMJ's total consolidated assets at the time the investments are made (the Diversification). The Diversification permits MMJ increased flexibility to create growth and greater returns for Shareholders. Through the Diversification, MMJ will target exposure in a range of global opportunities, in addition to the existing investments in the cannabis sector allowing MMJ to lower its investment risk and reduce the impact of market volatility from the cannabis sector to ultimately benefit Shareholders.

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).
DNA	deoxyribonucleic acid
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.
IPO	Initial public offering of securities on a recognised securities exchange
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.
PCR	polymerase chain reaction
Covid19	'CO' stands for corona, 'VI' for virus, and 'D' for disease.
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.
TGA	Means the Therapeutic Goods Administration
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.