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28 July 2015

PhytoTech and MMJ Merger Completion – Oversubscribed Equity Placement

*Australia' s first listed vertically integrated Medical Cannabis (MC)
company*

Highlights

- PhytoTech Medical Limited (PYL) completes merger with MMJ Bioscience Inc. (MMJ) creating Australia' s first listed multinational, vertically integrated Medical Cannabis (MC) company
- Company to be re-branded as MMJ PhytoTech Limited, with consolidated composition of executive board and management from both entities
- Merger brings together operations spanning the entire Medical Cannabis value chain, from cultivation, development and distribution of pharmaceutical and nutraceutical products – solidifying the Company' s 'Farm to Pharma' strategy
- Deal consideration is scrip based: PhytoTech has issued an initial 51,000,000 ordinary shares and may issue up to an additional 17,000,000 deferred shares in two tranches

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- Near term sales revenues from proprietary GMP produced Cannabidiol (CBD) pill to commence from August 2015 and expected to provide funding for future business expansion, R&D and clinical trials
- Company successfully raised \$4.8 million in oversubscribed placement to accelerate growth of European operations

PhytoTech Medical Limited (ASX:PYL), is pleased to announce that it has completed the acquisition of 100% of the issued capital of MMJ Bioscience Inc. (MMJ). Shareholder approval was received on 29 June 2015 and all regulatory approvals have been satisfied to allow for the completion of the transaction.

The acquisition is purely scrip based and PhytoTech has issued an initial 51,000,000 ordinary shares (with up to a further 17,000,000 deferred shares that may be issued in two tranches based on the achievement of key milestones).

Each MMJ vendor has agreed to an escrow period of 3 months, 9 months and 15 months and the intention is for those parties to enter into structured sell down arrangements should they decide to sell their shares.

The two companies have now come together under the new MMJ PhytoTech Limited (MMJ PhytoTech or the Company) brand and a new management structure is in place, with new additions to the board from the MMJ business.

A change to the ASX Code "MMJ" is expected to occur within a few business days.



Oversubscribed Equity Placement

The Company has successfully raised \$4.8 million in an oversubscribed equity placement, which received strong interest from institutional and sophisticated investors. The Company will issue 16 million shares at a placement price of \$0.30 per share, a modest 13% discount to the closing share price on 24 July 2015.

The funds raised will be used to accelerate the expansion of the Company's European operations with Satipharm, including the ability to significantly increase the supply of its CBD pill and expand its distribution network.

The placement was led by Merchant Corporate Finance and APP Securities.

Group Structure and Management

The management team has been significantly strengthened and now includes experience and expertise in the industry across both the Canadian and European markets.

Following the completion, Andreas Gedeon has assumed the role of Managing Director and Chief Executive Officer of the Group, whilst Boaz Wachtel will become Head of International Business Development.

Peter Wall remains Chairman of the group.

The new group structure is such that the MMJ PhytoTech Group now has three fully owned subsidiaries. These include: United Greeneries Ltd,

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(Canada), Satipharm AG (Switzerland) and PhytoTech Therapeutics Limited (Israel).

Dr. Daphna Heffetz remains as CEO of PhytoTech Therapeutics Limited (Israel), Michael Hinam, CEO United Greeneries, will continue to head up the Canadian horticultural operations and Tomas Edvinsson will continue in his position as CEO of Satipharm AG in Switzerland.

Operations Update

The complementary assets of the businesses are expected to yield significant synergies as it positions the Company with operations across the entire Medical Cannabis value chain, encompassing the Company's "Farm to Pharma" strategy.

United Greeneries is expecting license approval from Health Canada for its Duncan Facility (near Vancouver, BC) in Q4 2015 under the Marijuana for Medical Purposes Regulations (MMPR) in Canada to produce up to 700kgs of MC per annum in the near-term. United Greeneries has a second facility in Lucky Lake, SK. The facility is currently awaiting final build-out and, once complete, it will allow for a combined production of up to 12,000kg of Medical Cannabis per annum.

United Greeneries is fully integrated with a state-of-the-art biochemical quality control testing and Cannabinoid analytics laboratory. While this testing is mandatory under the Canadian MMPR, few Licensed Producers are capable of providing this in-house. Those laboratory services will be offered to other Licensed Producers and will create a stand-alone revenue source for United Greeneries.



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United Greeneries differs from other Canadian MMPR applicants by the fact that its production may not entirely be sold to Canadian patients but will be used for further processing into extracts and purified compounds by Satipharm in Switzerland. The production of specialised strains for extraction is expected to dramatically improve the potential returns for United Greeneries and provides the Company the benefit of achieving the increased value of a refined product.

Satipharm, the Company's European Nutraceutical and Pharmaceutical Manufacturer and Wholesale Distributor has commenced production of its GMP-produced CBD food supplement capsules, with first sales scheduled in August 2015, creating an immediate and significant revenue source for the group. The Company is targeting to sell a minimum of 30,000 CBD pills per month, increasing to 135,000 per month at a cost of 3 Euros each.

Besides the CBD food supplement capsules, Satipharm will be offering pharmaceutical and food grade Cannabis extracts, purified compounds and Active Pharmaceutical Ingredients (APIs) to the industry, through its exclusive agreement with Ai Fame GmbH.

From September 2015, Satipharm will have up to 20kg per month of pharmaceutical grade Tetrahydrocannabinol (THC), Tetrahydrocannabinolic Acid (THC-A), Cannabidoil (CBD), Cannabidiolic Acid (CBD-A) and Cannabichromene (CBC) and Tetrahydrocannabivarin (THCV) available for sale by February 2016. They are expected to be used for research, product development and processing by other companies.

This will constitute an industry changing event as these compounds are not currently available in pharmaceutical grade quality. Global research and



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product developments of Cannabis have also been significantly restricted by the limited supply situation, however Satipharm will have large quantities of APIs available to meet the requirements of large R&D projects. Organically derived APIs from Cannabis are currently traded for up to \$350,000 per kg.

PhytoTech Therapeutics is the Israeli based subsidiary of MMJ PhytoTech. Through its partnership with Yissum Research Development Company of the Hebrew University of Jerusalem Ltd (Yissum) the Company is developing a nanoparticle formulation, with an improved bioavailability capacity, an Oral capsule with two unique formulations and a Transbuccal patch.

On 11 June 2015, the Company submitted two clinical formal documents, to the Institutional Review Board (IRB or Helsinki Committee) and National Clinical Trials Committees. The IRB of the hospital approved the protocol. Following approval by the National Helsinki Committee, the Company expects to commence Clinical Studies in Q4 2015 on the Tetrahydrocannabinidiol (THC) and Cannabidiol (CBD) unique oral capsules.

In partnership with Canigma, PhytoTech Therapeutics is also developing a Vaporiser delivery device for medical cannabis. The Company also has the option to acquire 100% of the Canigma once pre-defined milestones achieved.

Vision & Strategy

The complementary assets complete the Company' s "Farm to Pharma" strategy. It closed the loop in the Medical Cannabis cycle and provides the Company with operations spanning the entire Medical Cannabis value chain.



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It also positions the business with a strong platform to expand its global footprint and existing operations.

Importantly, the deal brings near-term cash flow from the sales of the CBD dietary supplement in Europe and mid-term revenues through sales from pharmaceutical grade compounds by Satipharm.

This cash flow, alongside the capital raising, is expected to fund future business expansion, including research and development and clinical trials, eventually resulting in a non-dilutive independent drug development company.

Andreas Gedeon, Managing Director of MMJ PhytoTech commented:

"I am delighted to announce the completion of the merger and our integrated group brand, MMJ PhytoTech. As a company we have strengthened our position in the market and our ability to supply international, regulated markets with products and ingredients that are simply not available today.

"The \$4.8 million placement provides us with the funds to accelerate our operations in Europe. As a combined group, the Company now has operations across the entire Medical Cannabis value chain, from growing the raw product to the end user product, making us a true 'Farm to Pharma' business."

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About MMJ PhytoTech Limited

MMJ PhytoTech Limited is a Medical Cannabis company, which aims to commercialise Medical Grade Cannabis (MGC) and high potential cannabis based therapeutics products to the rapidly growing international market with regulated medical cannabis laws. The Company operates three subsidiaries with operations across the entire Medical Cannabis value chain, encompassing the Company' s "Farm to Pharma" strategy.

It' s United Greeneries subsidiary has growing facilities in Canada and is fully integrated with Agrichem Analytical, its quality control and testing laboratory. Satipharm has a number of key international distribution partnerships for the distribution of cannabinoid-based pharmaceutical, nutraceutical and wellness products.

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Through its PhytoTech Therapeutics subsidiary in Israel the Company has an exclusive research and licensing agreement with Yisum, the prestigious Research Development and technology transfer Company of Hebrew University in Jerusalem, Israel, a global leader in medical cannabis research.

<http://www.phytotechmed.com/>