22 January 2021

ASX Code: MXC

ASX RELEASE

December 2020 Quarterly Activity Report

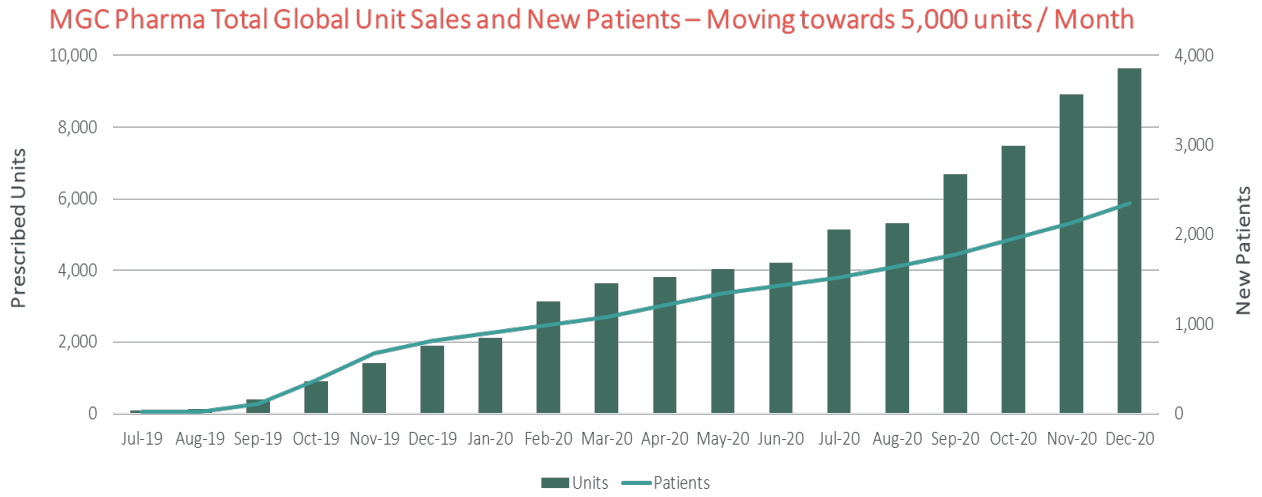
Key Highlights:

- Strong quarter delivered with global MGC Pharma product sales generating revenue of $456,000 from 2,900 units of products sold. This represents an increase of 67% growth from the previous quarter.
- Significant operational and commercial progress delivered across all pharma operations pushing the Company towards its goal of achieving monthly cashflow breakeven by end 1H 2021 from ~ 5,000 units sold per month.
- ArtemiC™ Phase II Clinical Trial completes and delivers excellent results by meeting **all** primary and secondary endpoints.
- $5 million (€3.1 million), non-dilutive cash grant secured and funding commenced from Malta Enterprise to finance over 80% a fully certified GMP facility in Malta, for the production of ArtemiC™ – construction materially advanced, provide large scale production capacity for ArtemiC™.
- Acquisition of Medicinal Cannabis Clinics completed, with over 300 patient consults conducted since completion on the 23rd of November. Alongside the increased revenue generated from consults, the acquisition brings distribution that provides higher import and export capacity with significantly higher profit margins while maintaining competitive product prices.
- Results from ongoing study into the treatment of glioblastoma show MXC's proprietary formulation, CBG, impairs the major hallmarks of glioblastoma progression.
- Launch of CannEpil® app which provides access to the international library of Cannabinoids as part of its ongoing research with RMIT.
- The sale of MGC Nutraceuticals significantly advanced as both the Company and Onassis have submitted the required documentation to the US SEC.
- Material progress towards strategic dual listing on the London Stock Exchange, following release of regulatory guidance notes for cannabis companies in September 2020 – no cannabis companies currently listed on the main stock exchanges in the United Kingdom.

MGC Pharmaceuticals Ltd (ASX: MXC, 'MGC Pharma' or 'the Company'), a European based bio-pharma company specialising in the production and development of phytocannabinoid-derived medicines, is pleased to announce its Quarterly Activity report for the three months ended 31 December 2020.

Pharma Operations

Across Australia, the UK and Brazil, the company has delivered $456,000 of sales revenue for the December quarter, representing a 67% increase from the September 2020 quarter, and continues the Company's strong commercial trajectory through H2 2020 and into 2021. The continued increasing trend of MGC Pharma unit sales, and new patient growth over the December quarter is clearly represented in the graph below.



$5 million cash grant to establish ArtemiC™ production in Malta

MGC Pharma has qualified for the support for a non-dilutive cash grant and has started to receive the ~$5 million (€3.1 million) from Malta Enterprise to renovate and extend the Company's existing Clinical Research Organisation (CRO) facility in Malta to include a fully functioning GMP certified manufacturing facility for liquid dose form and its COVID-19 anti-inflammatory product, ArtemiC™. Construction of new facility commenced in the December quarter and will be completed in mid-2021.

Upon completion of the facility, the Company will be in a strong position to immediately increase ArtemiC™ production volumes and reduce logistics costs via the Malta facility due to its optimal geographic location and shipping access**.**

Completion of 100% acquisition of Medicinal Cannabis Clinics

During the quarter, MGC Pharma completed the 100% acquisition of the operating telehealth clinic-based assets, data and intellectual property of Medicinal Cannabis Clinics (MCC), a wholly owned subsidiary of Cannvalate Pty Ltd, with over 300 patient consults conducted since completion on the 23rd of November. This following the signing of a binding term sheet in July 2020. Consideration of $1m MGC Pharma Ordinary Shares (2/3 subject to trading restrictions) and $400,000 in cash has been paid for the acquisition.

Alongside revenue generated from consults, this acquisition provides MGC Pharma with an operating platform with both import and export capacity that will significantly expand market access and provide control of the supply chain from manufacturing through to patients.

The acquisition also allows the Company to continue providing its high-quality GMP certified medications to patients in Australia and further improves profit margins while keeping product at the current competitive prices.

The acquisition of the MCC Assets is the next step in building on-the-ground distribution assets allowing the Company to wholesale and distribute directly to other clinics and pharmacies to reduce storage and distribution costs.

Launch of CannEpil® App

As part of its ongoing work with the Royal Melbourne Institute of Technology (RMIT), MGC Pharma launched the CannEpil® App, and is providing medical access to the International Library of Cannabinoids (ILC).

The App is a cross platform application available to download from both the Apple App Store and Google Play Store and is designed to be used by patients (or the patient's guardian) taking CannEpil® as a prescription treatment. The App will record patient responses to medical questionnaires as part of their treatment plan and the treating practitioner will be able to view the responses in real-time.

The ILC is a world first centralised platform compiling the diverse range of existing data on the therapeutic benefits of cannabinoids. The ILC database has been designed to collect comprehensive information about clinical trials, including details of diseases and follow up treatments, as well as product identifiers, including genetics, grow conditions and chemical profile to provide doctors with an encyclopaedia of exhaustive information on the best treatment for patients using cannabinoids.

First shipment of MP Line products directly to patients in Brazil

MGC Pharma's first batch of MP Line products were shipped directly to patients in Brazil in October 2020, through its binding supply and distribution agreement with Brazil-based ONIX Empreendimentos e Participações ('ONIX'). MGC Pharma is the first company globally to ship high THC formulations directly to a patient's door in Brazil, without the need to visit a pharmacy.

The shipment was completed under Brazil's Compassionate Use Program following the receipt of patients' prescriptions provided by an ONIX referring doctor. ONIX currently has more than 100 referring doctors in Brazil able to prescribe cannabinoid products under the Compassionate Use Program and is targeting to have over 1,000 referring doctors by mid-2021.

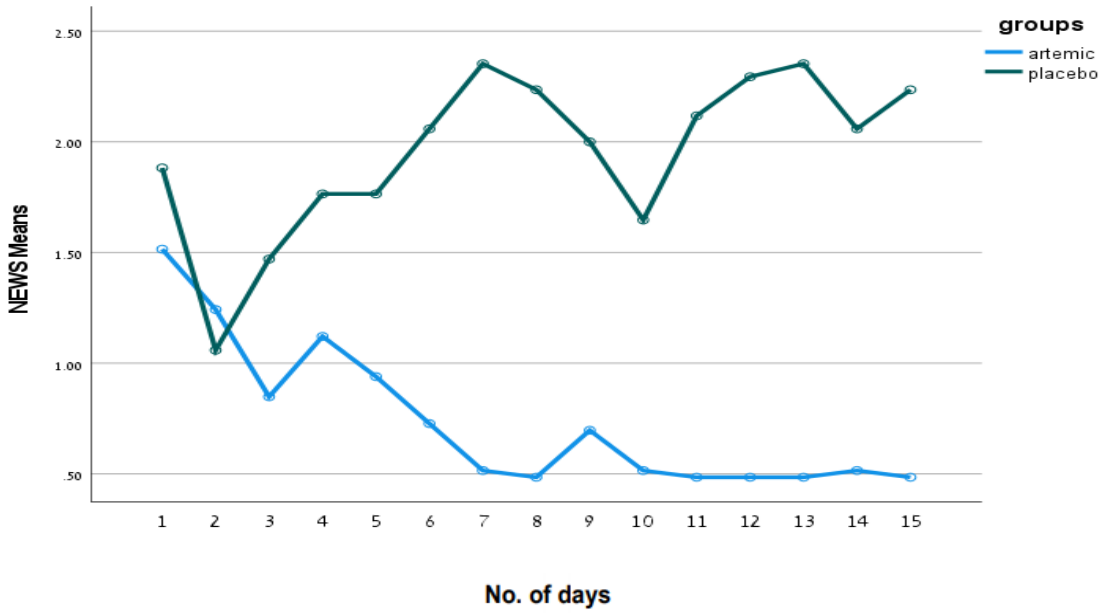
Research and Development

Completion of Phase II clinical trial on COVID-19 patients

MGC Pharma's Phase II double-blind, placebo-controlled clinical trial to evaluate the safety and efficacy of anti-inflammatory treatment, ArtemiC™, on 50 patients diagnosed with COVID-19 has completed.

The trial included 50 patients of which 33 were in the treatment group and 17 in the placebo group and took place across three independent hospital sites across Israel and India.

The full results have demonstrated to improve the health status of COVID-19 patients delivering a NEWS score of less than or equal to 2. None of the patients in the treatment group required additional oxygen, mechanical ventilation or admission to intensive care where all of these events were reported in the placebo group. The average NEWS score of patients in the placebo group was 2.25 statistically significantly higher ($p<0.04$) than in the treatment group – 0/5.



The Trial met all the FDA requirements for a COVID-19 study including population diversity (age, medical history, and genetic diversity) and demonstrated a full safety profile with no drug related adverse events. This resulted due to ArtemiC™ and the trial being focused on the immunomodulation specific for the prevention of cytokines storm, as opposed to other immunomodulators.

These results also follow safety and toxicity testing completed on mice and in line with FDA requirements for product registration requiring two types of rodents in pre-clinical trials. MGC Pharma completed an in vivo safety and toxicity pre-clinical study, including histology testing, on 24 rats. This included four groups with three study drug dosages being 48ug, 96ug and 196ug per kg rat and a control group.

The rats were observed and tested for clinical changes over seven days. This study included pathological examination of the organs: liver, heart, brain, spleen, spinal cord, sciatic nerve, kidney (L+R), lungs and tongue.

Further successful results from pre-clinical glioblastoma research

Results from the ongoing pre-clinical research program focused on evaluating cannabinoid formulations in the development of a treatment of the most aggressive and therapeutically resistant brain tumour, glioblastoma, have shown further successful results.

The pre-clinical in-vitro research program is being conducted in collaboration with the National Institute of Biology ('NIB') and the Neurosurgery Department at the University Medical Centre in Ljubljana, Slovenia.

The results from 18 patient tumour samples show for the first time that the Company's proprietary formulation, CBG, exerts a superior effect in impairing the major hallmarks of glioblastoma progression, i.e. fast proliferation and invasion, and particularly enhancing glioblastoma cell death. Moreover, CBG can destroy therapy-resistant glioblastoma stem cells, which are the root of cancer development and extremely resistant to various treatments of this lethal cancer. CBG should present a new yet unexplored modality of glioblastoma therapy that could replace Tetrahydrocannabinol (THC) as a more acceptable add-on or adjuvant treatment strategy.

Financial and Corporate

Completion of unmarketable share parcel

The Company completed the sale of 50,696,634 fully paid ordinary shares pursuant to the Company's Unmarketable Parcel Sale Facility (UMP Facility). MGC Pharma confirms its shareholder base has now been reduced by 5,067 shareholders. This will significantly reduce the Company's administrative and corporate costs moving forward.

Progress towards completion of MGC Nutraceuticals sale to Onassis

As announced on 2nd December 2020, under the terms of the sale and purchase agreement for the 100% sale of the Company's subsidiary MGC Nutraceuticals, MGC Pharma will receive shares equating to a value of US$6 million in Onassis Holdings Corp and the Company has secured an exclusive supply agreement for the provision of its CBD, raw materials and proprietary production intellectual property (IP). This follows the signing of a binding acquisition and exclusive CBD supply agreement as announced on 18 June 2020.

During the quarter MGC Pharma provided the 30 June 2020 audited financial statements for MGC Nutraceuticals to Onassis and full settlement of the acquisition is expected to complete over the next quarter. During the December quarter Onassis has commenced the process of finalising the offering submissions for the capital raising with the US SEC. The process from submission to completion is currently expected to complete in H1 2021. Once the offering submission has been approved, Onassis will complete the capital raising which will enable the full and complete settlement of the MGC Nutraceuticals acquisition with MGC Pharma.

Long terms benefits from UN vote to reschedule cannabis

In early December 2020, the United Nations (UN) voted in favour of the removal of cannabis and its derivatives from schedule IV in recommendations from the World Health Organisation (WHO). Cannabis and its derivativities are now contained under Schedule I of the 1961 UN Single Convention on Narcotic Drugs.

This creates a significant opportunity for MGC Pharma by removing red-tape that creates logistical limitations of the movement of products and creates an open pathway for easier and cheaper global distribution. This will also enable significantly more commercial opportunities for MGC Pharma by allowing it to deliver its Mercury Pharma product line to new markets going forward.

Appendix 4C

The Company had $1.57m cash at the end of the December 2020 quarter, with access to $9.25m undrawn from its $15m financing facility with Mercer Street Opportunity Fund LLC (as announced to the ASX on 10 September 2020). In accordance with Section 6 of the attached Appendix 4C, the Company confirms the total $480k was for executive director fees, non-executive director fees and corporate costs during the quarter.

As detailed in the Appendix 4C, expenditure for the quarter has been spent on $1.484m for research and development, $1.363m for manufacturing and operating costs, $152k for advertising and marketing, $258k staffing costs and $852k for administration and corporate costs.

--Ends--

Authorised for release by the Board, for further information please contact:

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About MGC Pharma

MGC Pharmaceuticals Ltd (ASX: MXC) is a European based bio-pharma company developing and supplying affordable standardised phytocannabinoid derived medicines to patients globally. The Company's founders were key figures in the global medical cannabis industry and the core business strategy is to develop and supply high quality phytocannabinoid derived medicines for the growing demand in the medical markets in Europe, North America and Australasia. MGC Pharma has a robust product offering targeting two widespread medical conditions – epilepsy and dementia – and has further products in the development pipeline.

Employing its 'Nature to Medicine' strategy, MGC Pharma has partnered with renowned institutions and academia to optimise cultivation and the development of targeted phytocannabinoid derived medicines products prior to production in the Company's EU-GMP Certified manufacturing facility.

MGC Pharma has a number of research collaborations with world renowned academic institutions, and including recent research highlighting the positive impact of using specific phytocannabinoid formulations developed by MGC Pharma in the treatment of glioblastoma, the most aggressive and so far therapeutically resistant primary brain tumour.

MGC Pharma has a growing patient base in Australia, the UK, Brazil and Ireland and has a global distribution footprint via an extensive network of commercial partners meaning that it is poised to supply the global market.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

MGC PHARMACEUTICALS LTD

ABN	**Quarter ended ("current quarter")**
30 116 800 269	31 DECEMBER 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	764	864
1.2	Payments for		
	(a) research and development	(1,484)	(2,548)
	(b) product manufacturing and operating costs		
	i) cost of sales	(917)	(1,218)
	ii) operating costs	(446)	(566)
	(c) advertising and marketing	(152)	(219)
	(d) leased assets	-	-
	(e) staff costs	(258)	(559)
	(f) administration and corporate costs	(852)	(1,424)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	3
1.5	Interest and other costs of finance paid	(2)	(2)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,066	1,489
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(2,280)**	**(4,180)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	(200)	(200)
	(c) property, plant and equipment	(836)	(1,836)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	20	312
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(1,016)**	**(1,761)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	1
3.2	Proceeds from issue of convertible debt securities	3,500	5,750
3.3	Proceeds from exercise of options	-	2
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(6)	(60)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (loan to third party)	-	-
3.10	**Net cash from / (used in) financing activities**	**3,494**	**5,693**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,429	1,887
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,280)	(4,180)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,016)	(1,761)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,494	5,693

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.5	Effect of movement in exchange rates on cash held	(56)	(68)
4.6	**Cash and cash equivalents at end of quarter**	**1,571**	**1,571**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	1,516	1,374
5.2	Call deposits	55	55
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,571**	**1,429**

6.	Payments to directors of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	480
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7.	Financing facilities available *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (Convertible note facility)	15,000	5,750
7.4	**Total financing facilities**	**15,000**	**5,750**

7.5	**Unused financing facilities available at quarter end**	**9,250**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

$15M Convertible note facility with Mercer Street Opportunity Fund LLC. Refer to ASX announcement on 10 September 2020 for further information.

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,280)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,571
8.3	Unused finance facilities available at quarter end (Item 7.5)	9,250
8.4	Total available funding (Item 8.2 + Item 8.3)	1,571
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**4.75**

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

22 January 2021

Date: .....

[lodged electronically without signature]

Authorised by: .....

Roby Zomer – Managing Director

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.