

22 December 2016

ASX Code: MXC

MXC OPERATIONS UPDATE

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- Successful harvest of first cannabidiol (CBD) test crop to evaluate and establish optimal climate and soil conditions, with final yields undergoing testing in the MGC Pharma laboratory in Ljubljana, Slovenia
- Slovenian CBD extraction facility currently under construction, on track to be completed Q1 2017
- CBD extraction and first MGC Pharma CBD production to commence in Q2 2017, with API grade product
- Company pursuing new European sales channels for its MGC Derma range, with advanced discussions in the UK
- Rebrand completed of its MGC Derma range of CBD based cosmetics products and launch of new website
- Panax acquisition progressing to completion on better terms than originally announced, saving the Company €200,000, along side improved facilities and laboratories
- Panax acquisition delivers MXC a strategic partnership with a highly respected Czech Republic science institution, the Institute of Experimental Botany of the Academy of Sciences of the Czech Republic (IEB AS)
- IEB AS facility in Prague will utilize a medicinal cannabis breeding license for a specific medical cannabis breeding program for the MXC/Panax operations, scheduled to commence in January 2017

MGC Pharmaceuticals Ltd (ASX: **MXC** or “**the Company**”) is pleased to provide the market with an update on the Company’s Slovenian operations with the recent harvest of its first test crop, on going registration of its dermatological products with the CPNP, the rebranding of its MGC Derma range and its advanced discussions for further European distribution deals, as well as recent progress relating to the Company’s Panax acquisition.

First Slovenian CBD Crop & Harvest

The Company confirms that it harvested its first CBD Sativa L test crop in Slovenia. As announced to the market on 15 June 2016, MGC Pharmaceuticals planted a 5,000m² test crop at the Company’s growing farm in Slovenia.

The test crop has allowed MGC Pharmaceuticals to evaluate and establish the best soil, nutrients and growing conditions at its Slovenian facility of high CBD Cannabis Sativa L cultivation and production for use in the Company's cosmetics and medicinal raw materials. The harvested materials are currently being analysed at the Company's operating laboratory in Ljubljana, Slovenia and will be used to the test running of the CBD extraction facility to produce API grade CBD from MXC's GMP production facility.

Dermatological Products EU Registration with CPNP

Following the announcement on 7 November 2016, MGC Pharmaceuticals is pleased to confirm that the registration process of its CBD dermatological skin care products with the European Cosmetics Products Notification Portal (CPNP) is on schedule and is now expected to be formally completed in the coming weeks.

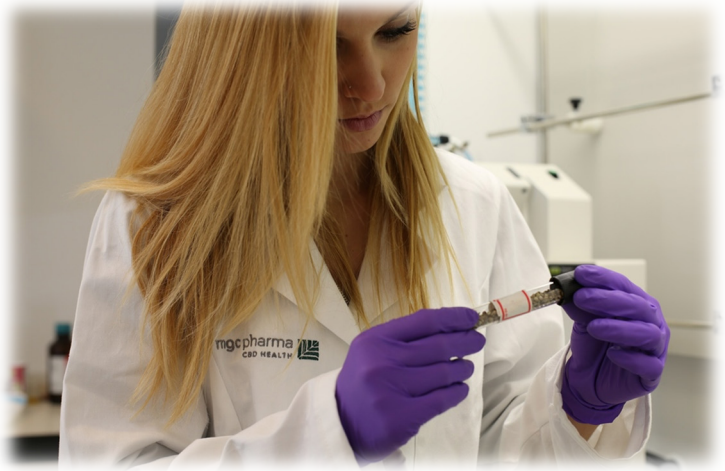


Image: MGC Pharma Laboratory

These products are specifically designed for the treatment of symptoms of psoriasis, acne and seborrhoea conditions, and together with the CPNP registration will allow the Company to sell these new CBD based dermatological skin care products throughout the European Union as cosmetics.

The Company will commence a 3-month clinical trial on human volunteers across its 3 CBD based dermatological products to investigate their efficacy for the relief of indications of redness, dryness, flake skin, acneic and oily skin in human volunteers, which have the symptoms of psoriasis, acne and seborrhoea conditions. MGC Pharmaceuticals expects to commence clinical tests in early Q1 2017. The Company has already successfully completed skin patch tests on 30 human volunteers, demonstrating the safety of the products with no adverse reactions.

The development of a dermatological tested product range complements the Company's existing CBD based cosmetics product range, MGC Derma, and therefore represents an additional revenue stream for the Company. MGC Pharmaceuticals aims to distribute these products in the near future via the MGC Derma online shop and select European retail outlets as over the counter products.

MGC Derma Update

MGC Pharmaceuticals is in advanced discussions with a number of interested parties across UK and Europe for further distribution deals to complement the Company's existing Californian and Czech Republic deals, which have commenced delivering initial revenue streams for the Company. In particular, the Company is well advanced in establishing new European sales channels and expects to announce further distribution deals in H1 2017.



The Company has recently completed a rebrand of its MGC Derma range of CBD based cosmetics products and has launched a new website where the Company's products are available for purchase. The website can be accessed at this link: <https://mgcderma.com/>.

New Panax Agreement Executed - Improved Commercial and Scientific Outcome

Further to the Company's announcement on 15 December 2016, MGC Pharmaceuticals is pleased to have signed a new agreement with Panax Pharma s.r.o on better terms than originally announced on 27 April 2016.

The consideration to acquire the final 20% equity of Panax has been reduced by €200,000 to €600,000 of MGC Pharma shares. The price of the shares is to be based on the volume-weighted average price of MGC Pharma shares sold on the ASX for the 20 trading days prior to the date of issue.

In addition to the cost advantages of the acquisition, the Panax acquisition now includes access to the prestigious Academy of Science of the Czech Republic's Institute of Experimental Botany (IEB), a world-class institution with superior facilities and a medical cannabis breeding license, granted by the Ministry of Health in the Czech Republic.



Image: MGC Pharma Genetic Bank

Slovenian extraction facility for production of API is under construction

The Company is pleased to announce that its Slovenian operational based has its (Active Pharmaceutical Ingredient) API grade cannabinoids extraction facility is nearing completion, with the installation of state of the art extraction equipment expected to be completed by Q1 2017.

The Company expects extraction operations at the facility to commence in Q2 2017.

This Slovenian facility will allow MGC Pharmaceuticals to produce its first cannabidiol (CBD) Active Pharmaceutical Ingredients (API) grade product by Q2 2017.



Image: MGC Pharma Laboratory

Future API products extracted by the facility have significant commercial application for the Company and are planned for use in clinical trials in Europe and Australia for multiple conditions including epilepsy, severe nausea, vomiting, and severe pain. The API products will also be used in MGC Derma products that target the relief of acne, psoriasis and seborrhoea conditions. Furthermore, the Company intends to commercialise a portion of the API and supply other third party customers.

The extraction facility represents a key competitive advantage for MGC Pharmaceuticals being one of only a few compliant Good Manufacturing Practice (GMP) API extraction facilities in Europe.

Nativ Segev, Co-founder and Managing Director, MGC Pharmaceuticals commented:

“We are pleased to have executed a new agreement with Panax on favourable terms. The Panax acquisition will significantly strengthen our research and growing capabilities. Further to this, with our Slovenian extraction facility under construction, we expect to commence extraction operations at the facility and produce our first research grade product by Q2 2017.

“MGC Pharmaceuticals has finished off calendar-year 2016 in a very strong position. We have materially progressed our Company throughout the year, establishing North American and European distribution agreements that have already begun delivering revenue for our Company.”

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About MXC

MGC Pharmaceuticals Ltd (ASX: MXC) is an EU based specialist medical cannabis company with many years of technical and commercial experience in the medical cannabis industry. The Company’s founders were key figures in the Israeli medical cannabis industry and the core business strategy is to develop and supply high quality Cannabinoids resin extract for the growing demand in cosmetics and medical markets in Europe, North America and Australasia. The Company is also developing strategic joint ventures in these key value add industries, as demonstrated with MGC Derma CBD cosmetics.