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ASX Code: MXC

Panax Acquisition Completed

Fully Licensed Operations to Commence Immediately at Leading Czech Republic Botanical Genetics and Breeding Facility

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- MGC Pharmaceuticals has completed the acquisition of Czech-based medical cannabis company PANAX Pharma s.r.o (Panax)
- Acquisition delivers a strategic partnership with the highly respected Institute of Experimental Botany of the Academy of Sciences, Czech Republic (IEB AS)
- The IEB AS is a leading Czech research institute in plant biology, namely in plant genetics, physiology and biotechnology
- The Ministry of Health of the Czech Republic has recently granted the IEB AS a 5-year medical cannabis license for the genetics, breeding and research program with Panax
- This license immediately enables MGC Pharmaceuticals to conduct medical cannabis breeding research at the IEB AS's laboratories and scale up to 1,000m² of dedicated greenhouse growing space, with ability for further scale up
- Panax genetics and breeding program will facilitate the growing of various strains of medical grade cannabis for the MXC research plan and operations
- Panax operations to now commence immediately at the IEB AS Institute

MGC Pharmaceuticals Ltd (ASX: **MXC** or “**the Company**”) is pleased to announce that pursuant to its announcement dated 15 December 2016, the Company has settled on the binding heads of agreement to acquire up to 100% equity in Czech-based medical cannabis company PANAX Pharma s.r.o. Completion follows the recent finalisation of independent legal due diligence on the Panax acquisition, operation of the business in the Czech Republic, together with finalisation of the formal research agreement with the IEB AS.

Panax and MGC Pharmaceuticals' executive team will now collaborate to develop a medical cannabis genetics and breeding research program. MGC Pharmaceuticals will immediately commence research operations at the IEB AS and its growing facilities in Prague following the IEB being granted its medical cannabis breeding license.

Summary of Panax Completion

At completion of acquisition, the following share transfers have taken place and the Company now holds an 80% equity interest in Panax, with the right to increase this to 100% at its election detailed below:

- i. 25% equity in Panax issued to MGC Pharmaceuticals – **share issue completed**,
- ii. 55% equity in Panax issued for MGC Pharmaceuticals' commitment to fund the first 12 months operating costs (capped at €700,000) – **share issue completed, funding to now commence**, and
- iii. An option (exercisable within 3 years following the end of the 12-month funding period) to acquire the final 20% equity in Panax at MGC Pharmaceuticals' election for €600,000 of MXC ordinary shares to be issued on a 20-day VWAP at the date of option exercise.

The Academy's Institute of Experimental Botany will be responsible to drive the research progress and supervise the medicinal cannabis genetics and breeding operations. MGC Pharmaceuticals is to provide its expertise and technical know-how to facilitate the successful outcomes of the research plan.

Panax and the IEB AS – Acquisition Rationale

The strategic acquisition of Panax gives MGC Pharmaceuticals access to the world-class facilities of the Institution of Experimental Botany at the Academy of Sciences of the Czech Republic, located in Prague.

The Institute of Experimental Botany has been granted a 5-year medical cannabis breeding license by the Ministry of Health of the Czech Republic for its research program with Panax. The project partners are now able to immediately commence research and breeding operations at the facility under the license.

Panax Pharma s.r.o is a Czech Republic based medical cannabis company that has research access rights to the IEB AS facilities. The Academy of Botanical Sciences is a leading Czech research institute in plant biology, namely in plant genetics, physiology and biotechnology.

The acquisition of Panax and its strategic partnership with the IEB AS, together with the IEB's recently granted medical cannabis breeding license, enables MGC Pharmaceuticals to immediately commence research operations at the IEB's facility. In addition, the acquisition provides the Company access to up to 1,000m² of dedicated greenhouse growing space covered by the breeding license, with ability for further scale up in future operations. The Company will now start its research programs into a variety of medical cannabis plants with different CBD and THC yields. This strengthens MGC Pharmaceuticals' research credentials and may potentially give the Company access to new genetic strains of medicinal cannabis for use in its products or in future clinical trials with medicinal cannabis.

As part of this research, the Company intends to isolate the ideal genotypes of medical cannabis strains for specific medical indications and create a bank of strains that are ideal for specific illnesses. In addition, the Company will devise a breeding program to create protocols that maximise the quantity of Cannabinoids per square metre of growing. Following the acquisition of Panax, MGC Pharmaceuticals will own and control the exclusive rights to commercialise the research results and will be the holder of the research IP generated by this program with the IEB.

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

“We are pleased to announce that our acquisition of Panax is complete. MGC Pharmaceuticals will now immediately commence its research operations at the world-class Institute of Experimental Botany of the Academy of Sciences of the Czech Republic.

“On behalf of the Company, I look forward to updating the market in due course with the results of our research operations.”

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About MXC

MGC Pharmaceuticals Ltd (ASX: MXC) is an EU based specialist medical cannabis company with many years of clinical 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 medicine based on Cannabinoids extracts for the growing demand in the medical markets in Europe, Australasia and North America. The Company is also developing strategic joint ventures in these key value-add industries, as demonstrated with MGC Derma CBD cosmetics and dermatological product lines.

About IEB AS

The Institute of Experimental Botany of the Academy of Sciences of the Czech Republic was founded in 1962. Its 14 laboratories are located in two cities, Prague and Olomouc. The Institute primarily conducts research in plant biology, namely in plant genetics, physiology and biotechnology. IEB is also involved in applied research.

In plant genetics, the projects are focused on molecular genetics of pollen and on plant functional genomics. Physiological investigations include hormonal and ecological control of plant growth and development, mechanisms of transport and action of growth regulators, physiology of plant viruses, and plant pathophysiology. Biotechnological topics include design and preparation of edible vaccines from plants and mechanisms of phytoremediation.

Some projects at the Institute are aimed at practical applications. For example, studies of plant hormones resulted in the synthesis of compounds which delay skin aging or show promising cytostatic effects.

The Institute collaborates with many research institutions and universities in the Czech Republic and abroad. IEB researchers teach at several Czech universities and students from these universities work on their master and doctoral theses at the Institute.