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ASX Code: MXC

Cannabinoid Extraction Facility Remains on Schedule to Commence Production in Q2

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- Construction of MGC Pharmaceuticals Slovenian Cannabinoid extraction facility is nearing completion, remains on track to commence first production in Q2 2017
- GMP Clean Room construction is nearing completion, with state of the art API (Active Pharmaceutical Ingredient) Cannabinoid extraction equipment on site, and ready to be installed once the GMP Clean Room is completed
- Company remains on schedule for completion of this major commercial and operational milestone by end of Q2 for its pharma business
- Once operational, the Company will have the ability to extract and produce high margin Cannabinoids in resin form, to produce medical grade cannabis products
- The Company's API grade product will be used to supply MGC Pharmaceuticals clinical studies, the Company's cosmetics manufacturing partner for the MGC Derma products (Natura Laboratories Limited), and new third party customers
- The nameplate production capacity of the Cannabinoid extraction equipment at the Company's facility in Slovenia is approximately 3,000kg of biomass per year, assuming a 100% operating capacity
- MGC Pharmaceuticals medical cannabis growing operations will commence in the Czech Republic with Panax this week, and Slovenian outdoor crops will be planted by late April/May 2017
- MGC Derma in advanced discussions with select cosmetics distributors, retailers and e-tailers in the UK and Europe, led by Mr Malcolm Kemp (ex-Revlon director), to commence sales into these markets during 2017

MGC Pharmaceuticals Ltd (ASX: **MXC** or "the Company") is pleased to announce that construction of its Slovenian GMP Clean Room facility is near finalisation, with state of the art Cannabinoid extraction and production equipment on site (as shown in the pictures below) and on schedule to be installed by the end of March. Upon completion and commissioning the facility will allow MGC Pharmaceuticals to extract high margin API grade Cannabinoids and deliver on the Company's strategy to focus its production operations on this important part of the medical cannabis value chain.

The GMP Clean Room and the extraction facility presents a significant commercial milestone for the Company as it will supply the Company's API Cannabinoid material for its own clinical studies, and potentially for the clinical trials of third-parties. Once operating at full capacity, the Company's Slovenian Cannabinoid extraction facility will be able to produce approximately 10 litres of raw material in 8 hours, which is then used to produce the high margin API Cannabinoids in resin form.

Additionally, the facility will then be able supply the API Cannabinoid resin to the production partner (Natura Laboratories Limited) for the cosmetics operations of MGC Derma. The Company will also sell Cannabinoid extract on the wholesale market and incorporate these extracts into its dermatological and cosmetics products.

The GMP facility also represents a key competitive advantage for MGC Pharmaceuticals in the medical cannabis sector once it receives a fully compliant GMP certificate for Europe.



Images: MGC Slovenian extraction facility during construction and MGC's Cannabinoid extraction equipment

2017 Cannabis Crops in Slovenia

The Company is pleased confirm that its growing operations are progressing as planned at its farm in Slovenia, with the planting of its first crop for this year in April/May 2017. The MGC growing operation in Slovenia is an outdoor growing facility, which does not run a crop during winter. The April/May 2017 crop is expected to be harvested in August 2017. Crops from the Company's Slovenian growing operations will be the feedstock for the Company's cannabinoid extraction facility in Ljubljana.

Commencement of Panax Medical Cannabis Genetics & Breeding Operations

The Company is pleased to confirm that Panax has completed preparations with the Institute of Experimental Botany of the Academy of Sciences (IEB AS) and will commence the first plantings of its medical cannabis seedlings at the IEB facility in Prague this week.



Images: MGC Pharma Laboratory, Slovenia

MGC Derma Update

The MGC Pharmaceuticals MGC Derma range of CBD based cosmetics products continues to generate sales through the Company's website, although the formal product launches have not yet been undertaken in the Company's priority target markets of Europe, United Kingdom and the USA. These are now planned for the coming months ahead in 2017.

As previously announced, the Company has engaged a cosmetics industry expert, ex- Revlon director Mr Malcolm Kemp, to roll out a distributional strategy to maximise retail distribution of MGC Derma products throughout the UK and Europe. Mr Kemp is making significant progress in establishing relationships and discussing agreements with key distributors, retailers and e-tailers in the UK and Europe. The Company currently expects to have material news on these potential distribution and sales contracts during Q2 2017.

Following the recent US Federal election result, and subsequent strong indications of a change in federal and DEA policy towards medical cannabis and hemp products, the Company has adhered to legal advice deciding it was appropriate to delay its planned formal launch of the MGC Derma cosmetics range in California, and for the other key markets in the USA. The Company is currently reassessing its USA sales strategy for its Derma range to ensure it remains fully compliant with all US state and federal laws, including how to best deliver into its commercial contract with its Californian partner, and other potential distribution agreements negotiations that were materially advanced in other major US states.

The Company has commenced a detailed legal review of its USA launch and distribution strategy for its MGC Derma cosmetic products through its US attorney, to ensure it will remain compliant with all US state and federal laws at all times, which is the highest of priorities for a public listed company, the shareholders and directors (who are also the major shareholders in MXC).

The Company will update its shareholders accordingly once the launch timing and distribution strategy for California and the other key target states has been resolved following formal sign off from the Company’s US attorney to the Board.



Image: MGC Derma Cosmetic Products

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

“The global demand for pharmaceutical-grade Cannabinoids extract is strong and this presents a significant commercial opportunity for MGC Pharmaceuticals alongside our Clinical trials. There are few fully compliant GMP extraction facilities throughout Europe and we are pleased that our facility brings such a strong competitive advantage for our Company”

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For further information, please contact:

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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 non-psychoactive cannabidiol (CBD) 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.