28 April 2017

ASX Code: MXC

ASX RELEASE

March Quarterly Activity Report

- Completion of acquisition of Panax Pharma s.r.o, ready to commence MXC's medicinal cannabis breeding and genetics operation in Europe
- Strongly Oversubscribed $10m Placement completed to fast track the Company's research and development programs for its proprietary line of pharmaceutical grade products
- Material operational progress reported during the quarter with:
  - European Extraction Facility completed, extraction operations started and high margin API based Cannabinoids extraction to commence soon
  - Phase IIA Crossover clinical study in Slovenia, to assess efficacy of MXC's medical cannabis formulation in young people with epilepsy
  - Final phase Clinical trials commenced for MXC's 3 dermatological tested products, bringing additional revenue stream closer following the trial completion in Q2
  - Commencement of growing operations at the Institute of Experimental Botany of the Academy of Science, following the Panax acquisition
- Favourable regulatory changes by Australian Government, authorising companies to legally import, store and sell medical cannabis in Australia
- The Company is well-funded with approximately $13.8m cash at bank to fast-track commercialisation initiatives and explore further acquisition opportunities

MGC Pharmaceuticals Ltd (ASX: **MXC** or "**the Company**") has today published its Appendix 4C for the three-month period to 31 March 2017 and is pleased to provide a review of the progress made during the quarter.

Corporate Update

Strongly oversubscribed $10m Placement

The Company successfully completed a Placement during the quarter to fast-track its growth and commercialisation objectives, including the research and development of pharmaceutical-grade products. The Placement raised $10m before costs through the issue of 153,846,155 ordinary shares at $0.065 each to s708 exempt institutional and sophisticated investors from Asia, Australia and North America.

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In addition to funding research and development initiatives, the funds will be used to expand sales of the Company's cosmetics and *Derma+* product ranges as well as the roll out of its Australian operations and strategy. MXC is also assessing acquisition opportunities in the medical cannabis sector internationally and in Australia.

Panax Acquisition Completed

The Company was pleased to complete its acquisition of Czech-based medical cannabis company Panax Pharma s.r.o (Panax) during the quarter. The acquisition delivered a partnership with the highly-respected Institute of Experimental Botany of the Academy of Sciences, Czech Republic (IEB AS), which has a full medicinal cannabis growing license for the Panax operations, with unlimited growing capacity of Medical Cannabis strains. This demonstrates the significant strategic value the Panax acquisition and IEB AS partnership will deliver to the future European operations of the Company.

Financials

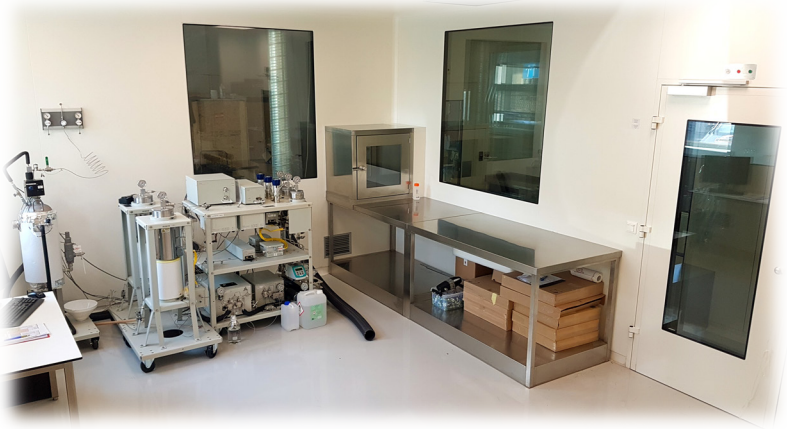
Strong Cash Position

Following the successful $10m Placement during the quarter, the Company is well-funded with approximately $13.8m cash at bank as at 31 March 2017.

Operational Update

European Extraction Facility Completed

Immediately subsequent to the end of the quarter, MGC Pharmaceuticals announced the completion of its European Extraction Facility. Initial trial extraction operations have commenced and have already successfully produced high-quality cannabinoids CO_2 extract fractions. The first commercial API extractions are expected to be produced in Q3 CY2017, once Good Manufacturing Practice (GMP) certification has been received from the Agency for Medicinal Products and Medical Devices of the Republic of Slovenia (JAZMP).



MGC Pharmaceuticals' European Extraction Facility clean room

The Facility will produce high margin API Cannabinoid extract for use in medicinal products, including in MXC's own clinical studies and trials in Europe and Australia. The Facility represents a significant commercial advantage for MGC Pharmaceuticals as it will become one of only a few GMP certified API extraction facilities in Europe. The Company expects to receive GMP certification for the Facility in the June quarter.

Australian Regulatory Changes

In February 2017, the Australian Federal Government made changes to Australia's medical cannabis regulatory framework. The changes allowed for faster access to medical cannabis for patients, by authorising the importation of medical cannabis products by approved suppliers from international sources.

The changes, administered by the Australian Office of Drug Control, within the Department of Health, will allow companies to legally import, store and sell medical cannabis products for interim supply in Australia until domestic production meets local needs.

These changes will expedite the importation of MGC Pharmaceuticals' products for use by Australian patients, including its whole plant medical cannabis formulation which is currently being used in a European clinical study for the treatment of epilepsy.

European Epilepsy Clinical Study to Commence

During the quarter, MGC Pharmaceuticals announced it would shortly commence a Phase IIA Crossover (non-pivotal) clinical study to assess the efficacy of its medical cannabis formulation in young people with treatment-resistant epilepsy in Slovenia.

The study, taking place at the University Children's Hospital Ljubljana, uses a whole plant extract based medicine with high CBD/THC ratio and compares it to pure synthetic CBD. The primary end point of the study will be a reduction in the frequency of seizures experienced by individuals suffering from epilepsy.

The study is being led by two globally regarded epilepsy experts who have both previously conducted ground-breaking clinical studies targeting epilepsy with medical cannabis: Professor David Neubauer, a paediatric specialist whose research focuses on the use of CBD to treat children suffering from epilepsy and Professor Uri Kramer, a highly-regarded Neurology and Paediatric Epilepsy expert.

Over 100 patients have now been recruited to participate in the 6-week study, with 70 volunteers required to achieve statistical significance. The outcome of the study is expected in 12 months.

The research is the cornerstone in the Company's development of medicinal product (MXCEP Drops) for the treatment of epilepsy. Following the completion of the study, MXC intends to have the product designated as a magisterial drug in Slovenia, which will allow Slovenian doctors to prescribe the product. The Company will also seek to register the product for sale across the European Union and other geographies.

MGC medicinal product (MXCEP Drops) has the potential to bring relief to millions of epilepsy sufferers across the globe. In Europe alone, there are close to 1 million children and young people with epilepsy and a further 2 million people aged between 20-64 suffering from epilepsy[1]. Each year it is estimated that there 130,000 new cases of epilepsy among children and adolescents in Europe.

[1] Source: https://www.ncbi.nlm.nih.gov/pubmed/15804240

Panax Growing Operations Commenced at the Institute of Experimental Botany (IEB AS)

The IEB AS has been granted a 5-year medical cannabis licence for a research program with MGC Pharmaceuticals, allowing it to immediately commence research operations. Growing operations have commenced at the Institute and MXC has planted seedlings of high CBD and THC medical cannabis that have now grown to juvenile plants. The Company is currently preparing to plant up to 1,000m^2 of cannabis clones in the greenhouse facility with the ability to scale up further operations.

Panax Medical Cannabis mothers plants from different varieties

Commencement of Dermatological Clinical Test

MGC Pharmaceuticals commenced a clinical test on 90 human volunteers during the quarter to determine the efficacy of its *Derma+* skin care products under MGC Derma brand (www.mgcderma.com). The three-month clinical test involves MXC's three CBD based *Derma+* skin care products and seeks to determine the efficacy of their formulations for the relief of redness, dryness, flaky and oily indications of skin prone to acne, seborrhoea and psoriasis skin conditions.

The *Derma+* range presents a significant commercial opportunity and complements MGC Derma cosmetics product range. The Company expects to commence sales of a dermatological skin care product range by Q3 2017, following successful completion of the clinical test.

European CPNP Approval

The European Cosmetics Products Notification Portal (CPNP) granted approval for the registration of MXC's three CBD based dermatological products for the relief of redness, dryness, flaky and oily indications of skin prone to acne, seborrhoea and psoriasis skin conditions a during the quarter. The approval followed the completion of the required safety assessments and human skin patch testing on 30 human volunteers and enabled the commencement of the Company's *Derma+* clinical tests currently being conducted as detailed above.

Cosmetics Products

MGC Derma is in the process of finalising reseller agreements to make its anti-ageing and essentials product lines available on retail shelves across Europe. This will give the Company good access to the over €70 billion cosmetics market[2]. The Company is continuing discussions with potential distributors to also expand into the UK market.

Outlook

MGC Pharmaceuticals' vision is to be a global leader in the Cannabis-based Pharmaceuticals Industry. The Company strives to incorporate phytocannabinoids into true pharmaceutical product pipelines, and to facilitate the usage of breakthrough solutions for prevalent global health issues. Its mission is to change the quality of patients' lives and consequently contributing to improved public health in all its various areas of involvement.

As part of this mission, MGC looks forward to progressing its IEB AS research operations and its epilepsy clinical study in Europe. The research from both initiatives will guide the future development of pharmaceutical-grade medical cannabis products.

Additionally, the Company intends to commence the sale of its *Derma+* products by Q3 2017, following the completion of human clinical tests, representing another early revenue opportunity as well as having the potential to bring relief of redness, dryness, flaky and oily indications of skin prone to acne, seborrhoea and psoriasis skin conditions.

MGC Pharmaceuticals is currently assessing acquisition opportunities in the medical cannabis sector in Australia and internationally.

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

"The March quarter has been significant for MGC Pharmaceuticals. Our research initiatives have ramped up with the commencement of our Phase IIA Epilepsy clinical study and our *Derma+* product tests. Additionally, we commenced operations at our European Extraction Facility and anticipate obtaining GMP certification for the Facility in the coming months, enabling high margin API production. This represents strong progress towards the development of future pharmaceutical-grade medical cannabis products.

"We also welcomed favourable regulatory changes by the Australian Government that will allow the legal importation of medical cannabis products into Australia whilst the domestic industry is developing. This provides an exciting opportunity for our growing operations, as well as demonstrating our Australian industry leadership."

-- Ends --

[2] Source: *Cosmetics Europe Annual Report 2015*

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, 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 high quality Cannabinoid based pharmaceuticals products for the growing medical markets in Europe, North America and Australasia.

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+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

MGC PHARMACEUTICALS LTD

ABN	**Quarter ended ("current quarter")**
30 116 800 269	31 MARCH 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	51	56
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs		
	i) cost of sales	-	(3)
	ii) operating costs – on behalf of the group	(227)	(1,043)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(89)	(237)
	(f) administration and corporate costs	(302)	(1,462)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	14	62
1.5	Interest and other costs of finance paid	-	(27)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (MGC Derma JV partner operational costs)	(82)	(259)
1.9	**Net cash from / (used in) operating activities**	**(635)**	**(2,913)**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(360)	(700)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	(10)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets (exploration asset)	-	500
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**	**(360)**	**(210)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	10,000	10,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	290	290
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(98)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(1,000)
3.7	Transaction costs related to loans and borrowings	-	(50)
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	**Net cash from / (used in) financing activities**	**10,290**	**9,142**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,604	7,896
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(635)	(2,913)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(360)	(210)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10,290	9,142
4.5	Effect of movement in exchange rates on cash held	(46)	(62)
4.6	**Cash and cash equivalents at end of quarter**	**13,853**	**13,853**

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	13,830	4,581
5.2	Call deposits	23	23
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)**	**13,853**	**4,604**

6.	Payments to directors of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	145
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director and executive services fees and reimbursement of corporate administrative costs

7.	Payments to related entities of the entity and their associates	Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	Financing facilities available *Add notes as necessary for an understanding of the position*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
8.1	Loan facilities	NIL	NIL
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

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

NIL

9.	Estimated cash outflows for next quarter	$A'000
9.1	Research and development	36
9.2	Product manufacturing and operating costs	437
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	267
9.6	Administration and corporate costs	307
9.7	Other:	
	(a) Capital expenditure	697
9.8	**Total estimated net cash outflows**	**1,744**

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

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.

Sign here: ..... Date: 28 April 2017
(Executive Chairman)

Print name: Brett Mitchell

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.