

18 December 2017

ASX Code: MXC

## MXC Operational Update

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- MGC Pharmaceuticals (MXC) continues strong progress across its three divisions, ahead of production ramp up of MGC Derma and MGC Pharma key product lines in 2018
- Varm Cosmo first binding agreement continues on track following recent delivery of new bulk samples
- MGC Derma to launch first product from Derma Plus on 1 January 2018, Herbal Repair Cream for relief of psoriasis skin conditions
- Slovenian production facility now at final stage of GMP certification process, preparing for commencement of CannEpi™ compound production in first quarter of 2018
- First commercial order and payment received from Mabsut for MGC Pharma CBD extracts
- Half-year report from the research program with the University of Ljubljana has been completed, demonstrating the genome mapping progress on MXC strains
- Preparation of Institute of Experimental Botany (IEB) growing facility in Czech Republic for 2018 with ability to expand, will allow MXC to cultivate area twice the size of current operation

**MGC Pharmaceuticals Ltd (ASX: MXC or “the Company”)** is pleased to provide the following operational update.

The Company continues to make strong progress across its three divisions: MGC Botanic, MGC Pharma and MGC Derma.

The MGC Pharma business, which includes pharmaceutical product research and development, including Active Pharmaceutical Ingredient (API) extraction at its European facility, continues to be the core focus of the Company and MXC expects a number of key production focused developments in 2018 to capitalise on the strong progress that has been made during 2017.

This progress has been complemented by several recent deals and updates across the Botanic and Derma Divisions and a summary and outlook for each of the three areas is outlined below.

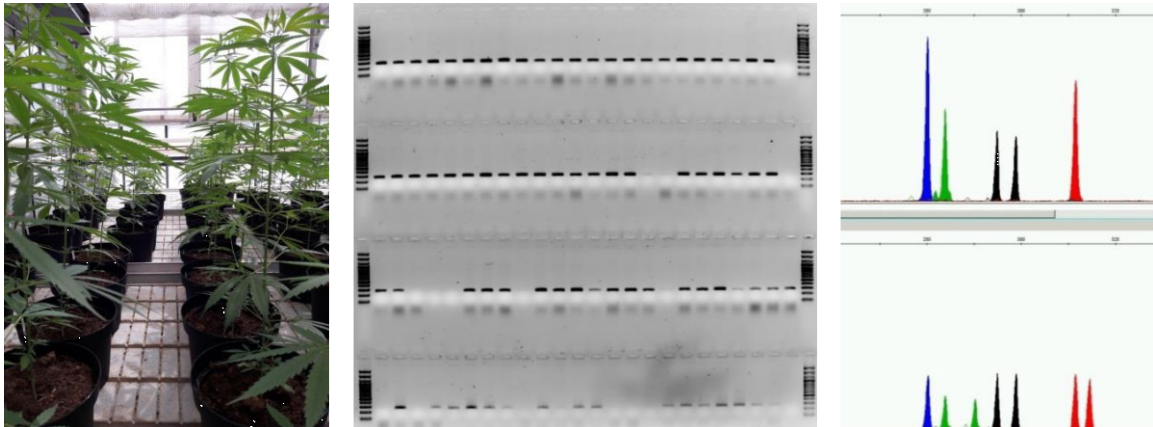
### **MGC Botanic (MXC 100%)**

MXC’s European Botanic division continues with its strong operational progress with the first harvest complete which delivered more than 400kg of biomass. This is now being processed into CBD extract for use across the MGC Pharma business.

The MGC Botanic division is now preparing the IEB growing facility in Czech Republic for the first cropping operations in H1 2018, with plan to expand its growing operations which will enable MXC to cultivate an area twice the size of the current operation, taking it to more than 2,000 square metres. This expansion will ensure the Company is well placed to meet future demand in key emerging European markets such as Germany with the addition of future distribution partners.

The semi-annual report from the research program with the University of Ljubljana has been issued which outlines the progress of the breeding program and registration of MXC's genetics. The main aim of this program is to establish new, innovative genetics for the treatment of different medical indications, this is alongside the breeding to develop new varieties of plants with specific cannabinoid content.

The report outlines the progress to date which includes the mapping of the genome (DNA) of plants and the success of the breeding using MXC genetics which has a more than 80% success rate.



### MGC Pharma (MXC 100%)

The Company's European production facility is currently completing the final facility inspections to qualify for Good Manufacturing Practice (GMP) certification which will allow the Company to produce its first medical product CannEpi™. The Company has lodged its documentation and is awaiting the final stage of inspection in December which will enable it to be fully operational in the first quarter of 2018.

Importantly the certification will also enable MXC to commence the sale of CannEpi™ to the Australian market as well as commence clinical studies Slovenia and Europe. CannEpi™ is an oral oil solution of cannabidiol (CBD) and (-)- trans- $\Delta^9$ -tetrahydrocannabinol (THC) dissolved in medium-chain triglycerides. 1 ml of CannEpi™ contains high ratio of CBD/THC. Other than THC and CBD CannEpi™ contains minor amount of additional specific cannabinoids and terpenes from cannabis plant that are working in synergy with CBD and THC to maximize efficiency.



CannEpi™ is used to treat seizures associated with severe cases epilepsy, when other medicines and conventional therapies have failed to control the seizures (Drug Resistant Epilepsy). It is currently estimated that there is approximately 70,000 people in Australia alone that suffer from Drug Resistant Epilepsy.

Following the signing of a multi-year agreement with European medicinal products distributor Mabsut Life, to supply cannabidiol extract (CBD) from its European facilities, MXC has received the first formal contract and revenues from Mabsut and is currently executing the first of its monthly orders. In addition to ensuring fulfilment of follow-up orders the Company is also working with Mabsut on the development of a number of other potential products which will utilise MGC Pharma's leading European Research and Development facilities.

MXC also continues to move forward on its Australian strategic collaboration with RMIT, specifically in regard to the establishment of a world first library of cannabis medicines. The library backend has now been developed, with the interface currently under construction. Upon completion, the library will be used as a platform interface to support doctor and patient monitoring of the use of medicinal cannabis on a real-time basis. The library will provide a large database from which the safety and efficacy of medicinal cannabis can be studied which will lead to the design of more personalised medications and ultimately better patient outcomes.

### MGC Derma (MXC 51%)

MGC Derma's first binding agreement with Varm Cosmo signed in late October remains on track, with additional bulk product samples being delivered in December to the Varm Cosmo operations facility. The new bulk samples include a new formulation to be used in products being developed specifically for skin type of the major Asian cosmetics markets. The Company is focused on first completing the operational and production requirements of the first binding contract, and secondly advancing negotiations for additional binding contracts contemplated for key Asian markets.



MGC Derma recently announced that the first product from its Derma Plus range will be available for sale from 1 January 2018. The Derma Plus range includes three products which have been clinically tested with results demonstrating strong improvements across a range of skin conditions, specifically for the relief of psoriasis, acne and dermatitis symptoms.

The first product to be made available for sale will be the Herbal Repair Cream which utilises proprietary cannabidiol (CBD) compounds and is used for the daily care of mild forms of psoriasis side effects. The Herbal Repair Cream will be available for sale through MGC Derma's commercial distribution channels and eCommerce platforms.

### Roby Zomer, Co-founder and CEO, MGC Pharmaceuticals commented:

"As we move into 2018 I am delighted at our progress with significant achievements across all of our divisions and a strong outlook for the Company in the Pharma sector. While we have made strong progress in both our Derma and Botanic divisions we are most excited about the potential that we see from our core business, the Pharma Division, which will be the big driver of the growth of the Company, with a key major milestone set to be achieved early in 2018 when we expect to receive our Good Manufacturing Practice (GMP) certification."

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### About MXC

MGC Pharmaceuticals Ltd (ASX: MXC) is a European based specialist medical cannabis biopharma company with many years of technical, clinical and commercial experience in the medical cannabis industry. The Company's founders were key figures in the global medical cannabis industry and the core business strategy is to be a global leader in phytocannabinoid-based medicine within the biopharmaceutical medical markets in Europe, Australasia and North America.

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